The Incorporated Accountants' Journal.

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Professional Notes.

ON the date of publication of our last issue the official announcement was made of the appointment by the Board of Trade of a Departmental Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law, and if so, to report on the method by which such register should be established and controlled. The Chairman of the Committee is the Rt. Hon. Viscount Goschen, who has recently completed his term of office as Governor of Madras. His father, the first Viscount, was the well-known Chancellor of the Exchequer who in his time was able to reduce the interest on Consols to 2½ per cent.

The names of the other members of the Committee will be found elsewhere in our columns together with a short biographical sketch of each. It is not a secret that the Society of Incorporated Accountants and Auditors joined with the Institute of Chartered Accountants and the Scottish Chartered Accountants in making representations to the Board of Trade in favour of setting up the Committee which has now been appointed, but it must be understood that the Society will present its own case to the Committee, and the Council of the Society will endeavour to represent the views of the general body of members.

The death of Sir Thomas Willes Chitty, Bart., K.C., in his 75th year removes one of the most interesting figures in the Law Courts. To the public he was probably best known as Senior Master of the Supreme Court and King's Remembrancer. On resigning these offices he returned to the Bar and was made a King's Counsel in 1927. He belonged to a distinguished legal family whose name has been eminent in the legal world for more than a century.

Incorporated Accountants will remember with interest his work in connection with the Law of Arbitration. He was a member of the Committee appointed by the Lord Chancellor to inquire into the working of the Law of Arbitration and to suggest amendments thereof. He also settled the rules for Commercial Arbitration for submission to the Federation of Chambers of Commerce of the British Empire which were adopted at the Congress held in Cape Town in October, 1927. Sir Thomas was an indefatigable worker and was greatly esteemed in Masonic circles, where he occupied the position of Grand Registrar of the United Grand Lodge of English Freemasons.

The annual dinner of the Institute of Arbitrators (Incorporated) was held at Incorporated Accountants' Hall. The Lord Mayor and Sheriffs were the principal guests, and there was an influential attendance. In submitting the toast of "The Institute of Arbitrators," Sir James Martin said that an Arbitrator should possess a judicial

mind and a habit of coming to definite conclusions which must be without fear or favour, affection or ill-will towards the parties before him. He should have some special qualification of a business or professional nature enabling him intelligently to understand the differences between the parties, and he should also possess a knowledge of the Law of Arbitration and be able to conduct the proceedings in a Reference. Those in his opinion were the principal qualifications of an Arbitrator, and he understood that the work of the Institute was directed to affording facilities for the education and training of Arbitrators and to co-operating with other bodies in the use of the panels of Arbitrators, and in other directions.

The President, Mr. Edgar S. Underwood, in responding, said that the roll of the Institute comprised members of the legal profession and representatives of the principal institutes and associations, such as accountants, engineers, auctioneers and surveyors, together with those associated with commerce and trade. The Institute was in no way a competitive body. The desire was to educate and train men in the knowledge of the procedure and application of arbitration in order that there might be in their ranks experts in every profession, business and trade.

An important decision relating to the liability for Stamp Duty on the registered capital of a company was given by the Court of Appeal last month, in the case of *Tube Investments Limited*. The company in general meeting authorised the directors to increase the capital by the creation of a large block of shares ranking *pari passu* with the existing ordinary shares, and the Crown claimed stamp duty on the statement of the proposed increase. The matter went to the Court, and Mr. Justice Rowlatt gave judgment for the Crown. On appeal by the company this decision has now been reversed. In his judgment Lord Justice Lawrence said that the resolution of the company did not increase the capital but merely gave the directors power to do so at some future time, and until that power was exercised no duty was incurred. The claim of the Crown was made under the provisions of sect. 112 of the Stamp Act, 1891, which provides that "a statement of the amount of any increase of registered capital of any company . . . shall be delivered to the said Registrar and every such statement shall be charged with an *ad valorem* duty." The Crown's contention was that registered capital meant authorised capital and that the resolution of the general meeting having given the necessary authority to the directors the liability to duty immediately arose.

In the House of Commons Mr. C. Williams asked the President of the Board of Trade "What is the approximate number of companies that are in default in filing, within the prescribed period, their accounts for the previous year; and what steps is he taking to insist that the law shall be punctually observed with regard to the issue of audited accounts?" The Parliamentary Secretary of the Board of Trade replied that "about 2,600 companies are in default in filing their balance-sheet. It is the Registrar's practice to circularise early in the year all companies which have not filed an annual return in respect of the previous year. In those cases in which this procedure fails to secure the return the matter is put in the hands of the Solicitor to the Board of Trade, and, when necessary, legal proceedings are taken."

The House of Lords has dismissed the appeal of the Inland Revenue in the case of the *Burma Corporation*, which we referred to in our Professional Notes of December last. The question at issue was whether a company which transferred its management from abroad to this country was to be treated as a new business from the date of transfer, or whether the years of the company's business prior to the transfer were to be recognised for the basis of the company's income tax assessment. The decision of the Court of Appeal, which is now affirmed, was that the trade was "set up and commenced," when, in fact, it was set up and commenced and not when it was merely brought within the purview of the British income tax.

In delivering judgment, Lord Dunedin made some strong comments on the action of the Inland Revenue in carrying this case to the House of Lords. He said he did not think he had ever been called upon to decide a more useless appeal, as there was no general principle involved in it. The case was a very peculiar one and not particularly likely to happen again. It was high time that those who advised the Crown should make up their minds that the Crown could be wrong, and that it was not absolutely necessary to take every case to the House of Lords because the Crown had been found to be wrong. Lord Warrington and Lord Atkin concurred in Lord Dunedin's observations.

The changes in the law relating to the devolution of property under an intestacy are not always

fully appreciated. This was exemplified by the recent case of *Greenstreet* v. *Venn and Others*, in which a wife after having made a will leaving substantially the whole of her estate to her husband, destroyed it under the impression that if she left no will her husband would be entitled to all her property at her death. In the circumstances it was held that the will had been destroyed under a misapprehension and that there was no intentional revocation.

In December last we referred in these columns to the case of *Luipaard's Vlei Estate and Gold Mining Company, Limited*, v. *Commissioners of Inland Revenue*, in which Mr. Justice Rowlatt held that a company which had paid debenture interest under deduction of income tax must account to the Inland Revenue Authorities for the tax so deducted. The fact that the company had accumulated taxed profits of previous years did not entitle it to treat the interest as having been out paid of "profits or gains brought into charge." The case has now been taken to the Court of Appeal, where Mr. Justice Rowlatt's decision has been unanimously upheld. This confirms the view indicated by Mr. Justice Lawrence in the course of his judgment in the *Metropolitan Water Board* case that the expression "profits or gains brought into charge" should be interpreted as "the profits or gains for that year."

The Law Society has been considering the question of providing some means of relief to persons impoverished by the misconduct of its members At a special general meeting of the Law Society held recently the president said there were two specific proposals now being considered by the provincial law societies. The first was that membership of the Society should be compulsory and that the Society's control with regard to misconduct should be extended and an increase made in the subscriptions for the purpose of creating an indemnity fund. The second was that some form of limited fidelity insurance should be made compulsory. Either of these proposals if adopted would require Parliamentary sanction and the president promised that any Bill which it might be considered desirable to promote would be submitted to the Society, but in the first place the whole-hearted co-operation of the provincial bodies must be obtained.

A correspondent of *The Times*, who has been endeavouring to justify the practice of certain local authorities in utilising sinking funds for fresh capital expenditure, has not met with much support. The comment of the Financial Editor is that when a sinking fund is used for other purposes than the redemption of debt, however desirable and sound such purposes may be, it immediately ceases to be a sinking fund. Moneys placed to a sinking fund and then used for, say, building purposes, are spent and cannot, therefore, be regarded as available for the redemption of debt. If a sinking fund has been used up in this way, the money required to redeem a loan must be found by fresh borrowing. In conclusion, he says "the fact that it may be convenient to raid a sinking fund in order to avoid going to the market to borrow for fresh capital expenditure has no bearing upon the point at issue." It is not a new idea on the part of some municipal authorities that a sinking fund can be made to do two things at the same time.

A proprietary club can apparently by its rules divest itself of any responsibility to protect the goods of members left in its custody. This was the decision of Lord Justice Scrutton in an action in the King's Bench Division last month in the case of *Orchard* v. *Connaught Club*. What was alleged to have happened was that a suitcase belonging to one of the members and containing articles of considerable value was carried into the hall of the club for the purpose of being sent to his room, and nothing had since been heard of it. The defendants denied that the plaintiff had entrusted the suitcase to their servants or that it was lost as alleged at all—but that was not the point on which the case turned. Their further plea was that the plaintiff, as a member of the club, was bound by the rules, and that rule 22 provided that the proprietors of the club would not be responsible for the loss of, or damage to, any article brought by members or guests into the club.

His Lordship said that the ordinary liability which the owners of a club were under was in the capacity of bailees, which meant that they were to take reasonable care to protect the goods of members handed to them in the club, and the question was whether the rules protected them against damage caused by negligence. Looking at rule 22, it appeared to him that it should be construed to exempt the club from loss or damage irrespective of whether this was caused by negligence of the club servants or not, and he accordingly gave judgment in favour of the club.

A somewhat important question has arisen with regard to the List of Members which a company is required to file at Somerset House. By the new Companies Act it is provided that if the names in the list are not arranged in alphabetical order there must be annexed an index sufficient to enable the name of any person in the list to be readily found. In the case of small companies this does not raise any difficulty, but with very large companies the number of names under a single letter of the alphabet sometimes extends to hundreds. For instance, in the company in respect of which the point arose the three largest letters of the alphabet contained respectively 375, 354 and 322 names. The return was sent in with the names under the proper letters but without any further arrangement. This was refused by the Registration Office and the list was sent back to be arranged in "strict alphabetical order."

Thereupon the Registrar was asked to give a ruling as to the meaning of "alphabetical order," and the answer was as follows:—"I have to state that in the opinion of the Registrar the term 'alphabetical order' in sect. 108 of the Companies Act, 1929, is not satisfied by grouping either under first letters, or in "vowel' order. In determining, however, what departure can in practice be made from the strict requirements of the law, I am prepared to have regard to whether any particular name in the list can be readily found." From this it would appear that it is the intention of the Registrar to use discretion as to how far strict alphabetical order is necessary having regard to the number of names falling under the different letters of the alphabet. This seems reasonable and in accordance with the intention of the Act.

From the report of the Comptroller and Auditor-General for the year ended March 31st, 1929, it appears that the remission of Income Tax for motives of compassion or equity totalled £253,154, which was £31,000 more than the previous year. A further sum of £162,948 represented reductions which were made owing to financial difficulties. These remissions had relation to the following total yield of taxes under the different heads, viz, Income Tax £287,274,365, Super Tax £56,217,167, Excess Profits Duty £1,195,502, and Estate Duties £81,000,000. The Auditor-General also discloses some substantial figures resulting from settlements made with taxpayers who had voluntarily confessed to past frauds. The settlement in two cases involved £500,000 or over, and in several others amounts ranging from £200,000 to £375,000.

As a result of the *Hatry* case a great deal is being written and suggested with regard to the keeping of the registers of public companies, the main idea being that these registers should not be kept by the companies themselves, but placed under separate custody. In the first place it has to be borne in mind that frauds of the character recently disclosed are exceptionally rare, and in the second place it is very doubtful whether any advantage would be gained by relieving the companies of the registration work and placing it in the hands of third parties. The danger of fraud on the part of employees would still exist, with added opportunities where the registers of a large number of companies were kept in the same office. The only real safeguard would appear to be an independent audit of the registration records supplemented (if deemed advisable) by insurance against loss, which we believe can be effected at avery reasonable cost. A professional audit of transfers was instituted long ago in the acse of many companies.

An interesting point was decided by the House of Lords in the case of *Commissioners of Inland Revenue* v. *Miller*. Under the terms of a will the widow of the deceased was allowed to "occupy and possess during her lifetime free of rent or taxes (both landlord's and tenant's)" the Mansion House and the effects therein. She was also entitled to the life-rent of certain lands. The widow having entered into possession, an additional assessment was made upon her for super tax on amounts representing (1) the Schedule A assessment on the Mansion House and (2) the assessable value of the lands, and (3) the amount of the rates relating to both.

The Income Tax Commissioners upheld the assessment, but the Court of Session decided (1) that the appellant was neither a proper life renter, nor in a position analogous thereto, but had merely a right of personal occupation; (2) that the fact that she actually occupied the lands was not sufficient to cause the annual value to be deemed part of her total income for super tax purposes; (3) that in any event the trustees were the occupiers within the meaning of the Act; and (4) that as her right of occupation of the lands was not one which could be converted into money, the assessable value under Schedule B was not part of her total income for super tax purposes. On appeal the House of Lords has

reversed this decision and decided that the widow was rightly found to be the occupier, and was rightly charged with tax as such. The annual value of her beneficial enjoyment was income for the purposes of the Act and therefore liable to super tax.

A Voluntary Liquidator's Liability.

THREE recent cases indicate that the scales of justice seem to press very heavily against the voluntary liquidator who has made a genuine mistake in settling a claim against the company which in fact proves to be ill-founded.

A voluntary liquidator may be described as the agent of the company—an agent who has, no doubt, cast upon him by statute and otherwise special duties, amongst which may be mentioned the duty of applying the company's assets in paying creditors and distributing the surplus among the shareholders. There is, however, a wide difference between the position of a director and a liquidator, and in particular the position of a liquidator was held in *Re Windsor Steam Coal Company* (1928, Ch., 609) to be that of a professional man employed for reward to carry out certain duties which, in a large measure, were statutory, and that if it was to be held that he was not liable, if he paid away money to someone who was not entitled to participate in the funds of the company he was engaged in liquidating, unless it could be established that he had in some way been guilty of wilful default within the meaning of the term as explained by the Court of Appeal in *Re City Equitable Fire Insurance Company* (1925, Ch., 407), it must be done by some superior tribunal. In the latter case the Court defined "wilful default" as follows: An act, or an omission to do an act, is wilful where the person who acts, or omits to act, knows what he is doing and intends to do what he is doing, but if that act or omission amounts to a breach of that person's duty, and therefore to negligence, he is not guilty of wilful neglect or default unless he knows that he is committing, and intends to commit, a breach of his duty, or is recklessly careless in the sense of not caring whether his act or omission is or is not a breach of his duty.

Neither directors nor liquidators, speaking generally, are to be regarded as trustees within the meaning of the Trustee Acts, and for many years past the liability of directors and of liquidators has been ascertained upon the footing that they were not entitled to avail themselves of the protection of sect. 24 of the Trustee Act, 1893, and by parity of reasoning they are not entitled to the protection of sect. 30 of the Trustee Act, 1925. In *Re Windsor Steam Coal Company*, referred to above, the Court was unable to hold that a liquidator who, without asking for the sanction or authority of the Court, had paid away a sum of £15,000 to someone who had no legal claim to it, had properly discharged himself of that sum. A liquidator, therefore, who has statutory duties to perform is not entitled to protect himself under sect. 30 of the Act of 1925, if he pays away the moneys of the company by mistake, even though it be an honest mistake, to persons who are not entitled to them.

In *Re Home and Colonial Insurance Company* (1929, 45 T.L.R., 658) a company entered into marine insurance contracts which were not, as required by law, embodied in stamped policies, and on the liquidation of the company, the liquidator, being then unaware that in the absence of stamped policies the contracts were invalid, admitted a proof and made a payment in respect of a very large claim under the contracts. It was held that in view of the magnitude of the claim it was the duty of the liquidator carefully to investigate the validity of the proof and therefore he was liable for misfeasance, but the Court would exercise its discretion under sect. 215 of the Companies (Consolidation) Act, 1908, by ordering him to contribute to the assets of the company only such an amount as would enable all the creditors to be paid in full with interest at 5 per cent. In this case Mr. Justice Maugham said that he would hesitate a long time before deciding that a voluntary liquidator was personally liable if, notwithstanding every care on his part, he admitted a proof which was ill-founded. He did not accept the view that the liquidator, in the matter of admitting proofs, was practically in the same position as an insurer. On the other hand, there could be no doubt that a high standard of care and diligence was required from a liquidator in a voluntary winding-up, and he was entitled, in every case of serious doubt or difficulty in relation to the performance of his statutory duties, to submit the matter to the Court for his guidance. This case followed *English Insurance Company* v. *National Benefit Assurance Company* (1928, 44 T.L.R., 801), where it was held that the liquidator had rightly rejected a proof by the English Insurance Company, in the winding-up of the National Benefit Assurance Company, in that the contract between the two companies in

respect of which the proof of debt was advanced was a contract of marine insurance and no stamped policy of marine insurance was issued to the English Insurance Company, as required by law, and therefore the contract was invalid.

It is clear that a liquidator occupies a fiduciary position, and must not make a secret profit out of his position, and it may be safely asserted that a liquidator has all the duties an agent would have; but it is suggested that he is only agent for the company, and therefore not liable to third parties, even though they be creditors or contributories, for negligence apart from misfeasance or personal misconduct. If, however, a liquidator has misapplied or retained or become liable or accountable for any money or property of the company, or has been guilty of any misfeasance or breach of trust in relation to the company, he can be brought to account by any creditor or contributory on a summons under sect. 276 of the Companies Act, 1929, but this will not enable a contributory who has accidentally been omitted in a distribution of assets to proceed by summons against the liquidator to obtain his due proportion of the assets.

SOME FEATURES OF AN INTERNAL AUDIT.

[CONTRIBUTED.]

THERE is at least one phase of accountancy which necessitates qualifications not acquired by ordinary methods of study or training, and that is the work which falls to be performed by an internal auditor. The desirability of instituting an internal audit system is gradually but surely being realised and achieved. And thus it becomes imperative that both employer and servant should know what is required to establish an efficient system. The principles of accountancy and auditing are adequately dealt with in text-books, but certain other qualifications of a more personal character are equally important. These include:—Knowledge of men and their ways, Tact, Character, and Personality.

To a large extent the success and skill of an internal auditor depends on his common sense, his general knowledge of commercial customs, and his all-round knowledge of men. Quite recently Mr. Justice Tobin is reported to have said, when addressing a jury composed of women, whom he had seen taking notes of the remarks made by witnesses, that they would be better able to judge the truthfulness of the witnesses by watching their faces and manners than by taking notes of their statements.

Perpetrators of fraud are sometimes very adept. In all cases an auditor must be very careful in proving his suspicions. A good plan is sympathetically but cautiously to get the confidence of the suspected person as a means of aiding investigation. Some act with apparent openness; some secretly. The latter are generally more easily discovered by the auditor. The style of his work, his manner in producing the accounts, the noticeable absence of any information, indicate the secretive man. A shrewd auditor should instinctively be able to distinguish secretiveness with a view to fraud, from peculiarities of character which might have an apparent semblance of the same thing but which really are accounted for by shyness, and lack of sociability. Unsociability may of course exist merely as an unpleasant trait in a person's character, or it may be there simply as a result of his being of a retiring disposition and not having had anyone to help him out of the predicament. In either of these last named circumstances a hasty charge or even hint of doubt as to the person's integrity might be a very serious matter for an incautious auditor. People of the temperament just named, once roused by insult, are very formidable antagonists. And when coupled with a perfect absence of any wrongdoing, any indiscretion of the internal auditor is more likely to lead to the dismissal or rebuke of the latter than the accused.

It may be useful to indicate a few important and essential differences between the objects and results of internal and external audits. These differences are greater than is sometimes imagined.

The professional (outside) auditor may or may not find errors of one type or another as a result of his activities. If he does there is a tendency for him to be pleased with the fact. It seems to him, perhaps, that he has earned his fee; that he has been the means of bringing someone to book. He has done what he was appointed to do: to discover errors, if any. Shortly put, he has done well.

But consider the case of the internal auditor. A continuous system of check has been in operation. The more efficient and highly developed it is the less actual checking by the auditor is necessary. More is accomplished by organisation on lines of automatic check, one worker by another—probably unconsciously by both—in proving by totals and comparisons; by making searching inquiries or inspections without any warning to the person whose records are for the moment under investigation, and in tightening up the accounting system. Briefly stated, the really efficient internal auditor must not merely discover fraud immediately after its perpetration, but must be instrumental in preventing fraud; in making it impossible for fraud to be committed. The greater his success, the less he has to show for his efforts. Success in the highest degree makes his work seem fruitless. Conversely, if any wrong is done and the internal auditor discovers it, the discovery does not give him credit as it might an outside auditor, but rather casts a reflection on his ability and suggests carelessness or inability on his part in not having organised the system in a way to prevent such a happening.

If the work of an internal auditor is satisfactorily carried out, there is no doubt that the exercise of that valuable gift "tact" will be called for to a very considerable extent. Those who do not already possess such a quality had better try to cultivate it if they have hopes of their services as accountant and auditor in general, and of internal auditor in particular, bearing much fruit. An internal auditor often has great power. He is in some cases invested with authority from the principals or directors to enforce certain systems of organisation and accounting with an effective check thereon. But the exercise of tact in inducing a spirit of co-operation is an almost necessary accompaniment. The main object in view when endeavouring to effect a complete, smooth-working system is to get those departments, works or branches, or whatever they are, to realise that the scheme is for their good, and that it will benefit them even more than anyone else. This is not easy if not approached in the right way. The mere suggestion of a reorganisation of the accounting arrangements in a department is enough, in some cases, to rouse the persons in it to antagonism. Even if the resentment is not apparent, it is nearly always in existence. The institution of a system of internal check by the audit staff, where no such supervision has existed hitherto, or the tightening up of an existing, more or less lax, system is regarded by some as an unjustified inquisition and incites them—from office boy to senior—almost to a state of open revolution. Hence the need for tact and discretion. Everyone knows how easy it is for an antagonistic staff to make things very awkward for the powers above them if they set themselves out to do so. They carry out instructions strictly to the letter, perhaps, but in the most objectionable way they possibly can. They never do the least thing that they are not specifically commanded to do. One need not cite examples of what is meant. Every reader already knows.

How must one go about the institution of efficient check and control, and simultaneously ensure the hearty co-operation of those to be checked and controlled? No definite inflexible and infallible rules can be laid down that will be equally applicable to all cases and to all people. Tact should enable the possessor to go about the task in the best way in the circumstances. Observations given here are intended rather to convey ideas than to furnish an unfailing guide. The object is to point out what is required, not to act as instructor. With this in view it is hoped that the following suggestions may be helpful.

Having got power to do what you want (though much can be done without specific authority merely by the exercise of tact), and having formulated a scheme which you are satisfied is the best you can produce, seek the highest man in the department or works which you are intending to bring under supervision. Tact and personality will be a great help in ensuring a favourable or at least courteous reception. Aggressive power alone could, of course, secure an entry for you. But an admittance is not much use if it goes no further. Explain your object to him briefly but sufficiently fully to enable him to see how beneficial it would be, if by organising or reorganising *your* work you could, with his approval and co-operation, give *him* perfect control over his staff, his department, his works, his whole business in fact. Tell him how he will then be able to know at a glance how everything stands, without having to search and await information; how costs, &c., will always be available; how greater efficiency at less cost will accrue; in short, how wonderfully improved his position will be as a result. Tact is required in taking care not to paint too glowing a picture. Just go as far as is desirable in the particular circumstances. Character reading and knowledge of men in general, and of this man in particular, will aid you considerably. You have got him interested and desirous of securing these benefits. In fact, he would be disappointed if he did not get them, so see to it that you do not fail. Now seek his co-operation. Ask him for his suggestions before you bring out too many of yours. If some of his are identical with yours (and if you have tact you can influence his suggestions tremendously) he will think the scheme is his scheme and will be proud of it. What does it matter to you what he thinks so long as your scheme is going to be put into operation? If his suggestions or ideas are not so prolific or quick at appearing as you might wish (give him a day or two to formulate them if necessary), suggest to him that you will think out some ideas (not that you have some ready made to force on him) and will submit them to him for his approval and adoption if he thinks fit. Then, in due course, bring them out. He will probably agree with the majority of them. He will of course want to alter some for the sake of his dignity, but you can, with tact, arrange that those which he will alter are those which you have specially put in to be altered by yourself if he fails.

Now draw out your scheme on paper and submit it to him for formal approval. Get him to put his name to it. Having got him completely on your side, he will see that all his staff carry out his instructions (which are really yours), and the way is clear.

Patience is another quality with which some are blessed, while others lack it. Of all work which falls to the lot of an accountant, the one that cannot be safely rushed is audit work. Things are better done deliberately, and, quite apart from the fact that, if hurried, points may be missed, things which may be achieved with patience may be entirely lost if adequate time be not spent on their proper consideration and treatment. Self-possession, equable disposition, keen powers of perception, ability to think quickly and to act quickly when required, an appreciable degree of wit and humour, initiative, and originality, are traits well placed when in the ownership of an internal auditor. If they exist to a good extent, the possessor is not likely to be without a strong personality, which is of the utmost importance.

In conclusion, the writer advocates the reading of a certain amount of good detective fiction. The suggestion may seem strange, but an auditor should expect strange things to happen in his work. In his investigations he must always strive to get at the truth, and we have an English maxim that truth is stranger than fiction. Much of the sensational or detective literature is mainly fact, the only fictional part being the names and sundry "fillings" and smoothings of rough corners. Such tales give a very good insight into the ways of fraud and deceit. In the best books of this type the characters are particularly true to life. An eminent physician and surgeon said of a series of books of detective fiction involving a great deal of medical, surgical, and scientific knowledge, that there was not one mistake. Whether other volumes contain errors or not, the fact remains that they sharpen the wits and provide an excellent training of thought in the right direction. They do not necessarily solve the auditor's problems for him, but they teach him how to track, to trace, and to find what he is seeking.

A RECEIVER'S DISBURSEMENTS.

Important Judgment.

Judgment in favour of Mr. James Leonard Mudd, who made an application in a debenture holders' action, *Helps* v. *Severn Side Brick Company (Gloucester), Limited*, was given by Mr. Justice Maugham in the Chancery Division on the 20th ult.

Mr. Mudd, an Incorporated Accountant, of Norwich Union Chambers, Congreve Street, Birmingham, was appointed receiver and manager of the brick company in 1926, but was displaced in 1929 by a receiver appointed by the Court. His application was for an order varying or discharging a certificate of a Master of the Chancery Division which was to the effect that he was not to be indemnified out of the assets charged by the debentures for liabilities he had properly incurred in carrying on the business, nor to receive any remuneration.

The application was opposed on the ground that if the appointment was valid the conditions attaching to the appointment were not complied with.

Mr. C. E. E. Jenkins, K.C., for Mr. Mudd, said he felt hurt at a statement made on Wednesday by Sir Gerald Hurst that one of the defences, assuming that Mr. Mudd was validly appointed, was that "he had retained for his own benefit something like twice the amount he was entitled to under the conditions attaching to the debentures." Sir Gerald, said Mr. Jenkins, certainly did make that statement, but he felt sure that he was not suggesting any dishonesty on the part of Mr. Mudd.

Sir Gerald: I did make the statement referred to, but of course I never intended to impute anything dishonest to Mr. Mudd.

In giving judgment his Lordship said that Mr. Mudd was validly appointed, the consent in writing of the majority of the debenture holders to his appointment having been given. As a receiver appointed out of Court Mr. Mudd was merely an agent for the company and the debenture holders. In a sense it was unfortunate that the term "receiver" was used for an agent in this position as well as for an officer of the Court, but in the latter case he was given the powers of liquidation. It was said in this case that Mr. Mudd was not validly appointed, and the contention seemed to be that he was simply a trespasser, that every act he did was wrongful, and that he alone was liable for the liabilities he incurred. In his view that position was impossible, and he was satisfied that Mr. Mudd ought to be treated as a receiver appointed under the conditions attaching to the debentures. With regard to his remuneration, his Lordship said the most he could claim was at the rate of 5 per cent. on the gross amount of all moneys received by him. When Mr. Mudd was appointed there were no assets on the property, which was derelict, and he had to borrow money to carry on the business. Was it to be said that a receiver under those circumstances was not entitled to be indemnified against expenses properly incurred? In his Lordship's judgment Mr. Mudd had implied authority to carry on the business and was entitled to a right of indemnity out of the assets of which he was the receiver. In the circumstances he held that the Master's certificate ought to be discharged, and that there ought to be a suitable direction which would enable Mr. Mudd to claim out of the assets subject to the debentures an indemnity in respect of all liabilities properly incurred in carrying on the business of the company. The costs of all parties would come out of the assets.

ASSOCIATION OF SCOTTISH CHARTERED ACCOUNTANTS IN LONDON

The dinner of the Scottish Chartered Accountants in London was held at the Connaught Rooms on February 24th, when Mr. G. Addison Scott, Chairman of the Association, presided. Among those present were Sir William Plender, G.B.E., President of the Institute of Chartered Accountants in England and Wales; Mr. Henry Morgan, President of the Society of Incorporated Accountants and Auditors; Colonel W. Parker, D.S.O., President of the Chartered Institute of Secretaries; Mr. A. Stiebel, Sir John Mann, K.B.E., Sir Alexander Walker, K.B.E., Professor F. R. M. de Paula, O.B.E., Mr. Frank Merricks, C.B.E., the Rev. Dr. A. Fleming, Mr. W. A. Reid, Mr. C. Reid, D.S.O., and Mr. J. Wood, Honorary Secretary of the Association of Scottish Chartered Accountants in London.

There was no formal toast list, but the Chairman took the opportunity of proposing the health of Sir William Plender, President of the Institute, and of Mr. Henry Morgan, President of the Society, who briefly replied and thanked the Scottish Chartered Accountants in London for their cordial hospitality.

A pamphlet on the Companies Act, 1929, by Mr. R. Kettle, F.C.A., has been published by Messrs. Gee & Co. It is, in fact, the reproduction of a paper read before the members of the Bristol and Nottingham District Societies of Chartered Accountants. The most interesting feature of the pamphlet is the examples which Mr. Kettle gives of the various ways which have been adopted by different companies of stating the assets and liabilities in a balance-sheet in order to comply with the provisions of the new Companies Act, together with his comments thereon.

REGISTRATION OF ACCOUNTANTS.

Departmental Committee of Inquiry Appointed.

The President of the Board of Trade has appointed a Departmental Committee to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law, and, if so, to report on the method by which such register should be established and controlled.

The members of the Committee are Viscount Goschen (Chairman), Mr. Harold Bellman, Mr. F. H. E. Branson, Mr. J. Walker Clark, Mr. F. E. Warbreck Howell, Mr. Kenneth Lee, Mr. G. J. Scott, Mr. John Scurr, M.P., and Mr. J. J. Wills.

The Secretary of the Committee is Mr. F. A. Griffiths, M.C., Board of Trade, Great George Street, S.W.1, to whom all communications on the subject of the Committee should be addressed.

We append biographical notes of the members of the Committee :—

THE RIGHT HONOURABLE VISCOUNT GOSCHEN OF HAWKHURST was born in 1866 and succeeded his father, the first Viscount, in February, 1907. He was educated at Rugby and at Balliol College, Oxford. In 1893 he married Lady Evelyn Gathorne-Hardy, daughter of the First Earl of Cranbrook. He was Private Secretary to the Earl of Jersey, Governor-General of New South Wales, between 1890 and 1893, and to his father, who was First Lord of the Admiralty, from 1895 to 1900, when he went to South Africa as aide-de-camp to Lord Roberts. He was Conservative M.P. for the East Grinstead division from 1895 until 1906. In 1918 he was appointed Joint Parliamentary Secretary to the Board of Agriculture. Lord Goschen was Governor of Madras from 1924 to 1929, and was appointed Acting Viceroy of India during the visit to England of Lord Irwin in June, 1929. He was created a Commander of the Order of the British Empire in 1918, a Knight Grand Commander of the Indian Empire in 1924, and a Knight Grand Commander of the Star of India in June, 1929.

MR. HAROLD BELLMAN, M.B.E., F.S.S., was born in 1886 and was educated at Paddington and privately. During the Great War he was Assistant Commander of the Headquarters Central Detachment of the Metropolitan Special Constabulary Reserve, and he held the position of Principal Assistant (Administrative) in the Establishment Branch of the Secretariat of the Ministry of Munitions of War from 1915 to 1920. He was awarded the distinction of M.B.E. in January, 1920. Since 1920 Mr. Bellman has been connected, first as Assistant Secretary and latterly as Secretary and General Manager, with the Abbey Road Permanent Building Society, and he is now Chairman of the Metropolitan Building Societies' Association. He is a recognised authority on the subject of Building Societies, being the author of "The Building Society Movement" (1927), "The Silent Revolution" (1928) and "Architects of the New Age" (1929).

MR. FREDERICK HENRY EWART BRANSON, B.A., LL.B., was admitted to practice as a Solicitor in November, 1902. He is now a partner in the firm of Linklaters and Paines, practising at 2, Bond Court, Walbrook, London, E.C.4. He is a member of the Law Society and of the Solicitors' Benevolent Association.

MR. JAMES WALKER CLARK, C.B.E., J.P., was born in 1858. He is a draper at Halifax and a member of the Drapers' Association, and has taken an active part in local and national trade organisations. He founded the Halifax Chamber of Trade and the National Chamber of Trade and became the President of both. He is also President of the Halifax Creditors' Association, the Halifax Chamber of Commerce, and the National Federation of Plate Glass Insurance Societies, and Chairman of the Halifax Tradesmen's Supply Association, Limited, the Women's Section of the Local Employment Committee, and the Local Commissioners of Taxes. He served on the Royal Commission on Income Tax, 1918-1919. Mr. Clark's name appeared as a Commander of the Order of the British Empire in the 1928 Birthday Honours List.

MR. FREDERIC EDWIN WARBRECK HOWELL was admitted as a Solicitor in December, 1914. He is now Town Clerk of Manchester, having been appointed to this position in September, 1928. He was previously Town Clerk and Clerk of the Peace at Wolverhampton. He is a member of the Manchester Law Society.

MR. KENNETH LEE, LL.D., was born in 1879. He was educated at Uppingham and subsequently in France and Germany. He is Chairman of Tootall Bradhurst Lee Company, Limited, of Manchester, and Director of the District Bank, Limited. He has served on numerous Government Committees. He was a member of the Committee appointed to examine the question of Government machinery for dealing with Trade and Commerce, 1919; of the Industrial Fatigue Research Board, 1918-21, and of the Advisory Committee to the Department of Overseas Trade (Development and Intelligence), 1918-1925. He was Chairman of the Inter-Departmental Committee on Patents, 1921, and served on the Royal Commission on the Coal Industry, 1925, and the Committee on the Factory Inspectorate appointed by the Home Office in 1929. He is now a Member of the Imperial Shipping Committee, being one of five members officially described as "persons experienced in shipping and commerce."

MR. GEORGE JOHN SCOTT is Treasurer of the Bank of Scotland and a Director of the Life Association of Scotland. His banking career began in 1883 at the Edinburgh Lothian Road Branch of the Union Bank of Scotland Limited. As a result of successive promotions, he occupied the positions of head of the Secretary's Department of the Bank's Head Office in Edinburgh, Agent at Leith, Assistant-Secretary in Glasgow, and Agent at St. Vincent Street, Glasgow. He was appointed Manager in London in 1910 and in 1919 was recalled to Edinburgh to take up the position of General Manager. It was in the spring of 1920 that he left the Union Bank, after 37 years continuous service, to enter on his present post as Treasurer of the Bank of Scotland.

MR. JOHN SCURR, M.P., was born at Brisbane in 1876. He was educated at George Green's School, Poplar, and at King's College School, and since 1898 has been an active member of the Labour Party. He has been an Alderman of Poplar Borough Council since 1919, and served as Mayor in 1922-23. He was Vice-Chairman of the Metropolitan Boroughs Standing Joint Committee from 1920 to 1922 and Chairman for 1922-23, besides being Chairman of the Stepney Board of Guardians 1925-1927. He is also an ex-Chairman of the Poplar War Pensions Committee, and is now a member of the Central (Unemployed) Body for London. He became an Alderman of the London County Council in 1925. His Party activities have included membership of various local and national bodies. He has been President of the

Poplar Trades Council, Member of the Executive Committees of the Social Democratic Federation, the London Labour Party, and the Labour Research Department, and Chairman of the London "Right to Work" Council. He served on the National Administrative Council of the International Labour Party in 1926. In 1921 he was one of the 30 Poplar Councillors to undergo imprisonment as a protest against unfairness in the rating system.

MR. J. J. WILLS has held the office of Comptroller of the Companies Department of the Board of Trade since December, 1928. He was formerly Director of the Petroleum Department.

INSTITUTE OF ARBITRATORS.

Practice Arbitration.

A Practice Arbitration was arranged by Mr. J. R. W. Alexander, M.A., LL.B., Barrister-at-Law, for the Institute of Arbitrators in Incorporated Accountants' Hall, London, on February 11th, with the assistance of the following members of the Bar :—Hon. Dougall Meston, LL.B., Mr. Ronald W. E. Clarke, M.A., and Mr. W. J. Alderman, M.A.

The facts of the reference were as follows :—

A limited liability company, called X. Y. Jones, Limited, are insured against third party claims in respect of their fleet of delivery cars and cars for taking round commercial travellers with samples. Each of these cars is driven by a driver employed for that purpose by the company. Each such driver is given instructions that he is not to permit anyone else to drive. One of the cars when carrying a traveller, employed by the company as a traveller, is being driven by the company's driver, when the traveller says to the driver, who is complaining of feeling very unwell, "I will take the wheel." The driver allows him to take the wheel; the traveller thereupon drives, and within a hundred yards knocks down an Incorporated Accountant, who loses his sight in consequence of injury received. The Incorporated Accountant is a man in a large practice without a partner, and the loss of his sight very seriously affects his earning capacity. At the time the injury appears slight; in fact the injured person walks away, but medical evidence alleges that loss of sight is due to a blood clot in the brain caused by the impact. Neither the traveller, nor the driver, nor the Incorporated Accountant appreciates at the time the gravity of the case. Neither the driver nor the traveller reports the accident to X. Y. Jones, Limited. A month after the accident the serious nature of the damage becomes apparent to the injured, who, having seen a doctor and a specialist, communicates with X. Y. Jones, Limited, informing them of the details of the accident, which was reported at the time to the police, and states his intention of holding them responsible. The traveller, at the time he was driving, did not possess a driving licence, but this fact was not known to the regular driver or to X Y. Jones, Limited. When X. Y. Jones, Limited, receive the letter from the injured person, they, for the first time, learn of the accident in fact, and give immediate notice of the claim to the insurance office, who repudiate liability. The insurance policy contains the following clauses :—

Clause 3.—This policy is subject to the conditions and exceptions hereunder :—

Exception (d).—This policy shall not cover loss or damage for liability to third parties arising while the motor car is being driven for racing, pacemaking, or while being driven by an *unlicensed driver with the consent or knowledge of the assured.*

Condition (1).—*Immediate notice shall be given upon the happening of any accident and/or fire and/or claim.* Upon any claim being received particulars in writing shall forthwith be sent to (office and address of Insurance Company).

Condition (7).—Where any act is required by the assured to be done, the doing thereof shall be a *condition precedent* to liability hereunder.

X. Y. Jones, Limited, and the insurance office resort to arbitration in order to determine if the insurance office is liable or not.

The Hon. Dougall Meston appeared for the Assured, and contended that, since consent implied a voluntary act, it could not be said that the driver (the Assured's agent) had consented to the vehicle being driven by an unlicensed driver. *Englehart* v. *Farrant & Co. and T. J. Lipton* ((1897) 1 Q.B., 240) clearly showed that the Assured's agent (the driver) was acting within the scope of his authority in allowing the traveller to drive, so as to render the principal (X. Y. Jones, Limited) liable for the negligence of their agent. As to the "immediate notice" required under Condition (1), Fletcher Moulton L. J., in *Coleman's Depositories Limited* v. *The Life and Health Assurance Corporation* ((1907) 2 K.B., at page 807) said that "immediate . . . might fairly be construed as meaning with all reasonable speed considering the circumstances of the case." The Assured admitted that under Condition (7), the giving of "immediate notice" was a condition precedent to rendering the Insurers liable under the policy, but it was submitted that such notice could only be given when it was in fact known to the Assured or their agents that an accident had occurred, which, in the circumstances of this case, was not until it was known that the Incorporated Accountant had suffered injury by the loss of his eyesight.

"Doctor James Henry Wilson" (Mr. W. J. Alderman), a specialist in ophthalmic diseases, was called as a witness by the Assured, and said that the loss of eyesight had been caused by the accident. In cross-examination he said that the symptoms in such a case as this, usually developed between 21 and 35 days after the accident.

Mr. Ronald W. E. Clarke, on behalf of the insurance company, submitted that it was a confusion of ideas to argue that if a person had no knowledge of something he cannot possibly consent to that thing being done. The vehicle was being driven by an unlicensed driver with the consent of the Assured through his agent, and, therefore, the insurance company are protected by Exception (d). Condition (7) gave the learned Arbitrator no option but to regard the giving of "immediate notice" as a condition precedent to liability, and in *Re Williams and Thomas and Lancashire and Yorkshire Insurance Company* ((1902) 19 T.L.R., 82) and *Montreal Harbour Commissioners* v. *Guarantee Company of North America* ((1894) 32 Can., S.C.R., 542), showed that the Court always construed the word "immediate" fairly strictly against the Assured. Counsel for the Assured was confusing notice of the accident with notice of particulars of damage. The amount of damage was not ascertainable at the time of the accident, but that should not prevent the Assured from notifying the Insurers of the fact that an accident had occurred.

The Arbitrator (Mr. J. R. W. Alexander) then declared the reference to be closed, but said that, since they were

there for instruction, the case would be open for discussion, after which he would indicate what his award would be. He would also give his reasons, although it would be appreciated that an Arbitrator would never give these in practice, neither would he give his Award so soon. Full advantage was taken of the opportunity afforded to discuss the case and several interesting points were considered.

The facts of the case, the Arbitrator said, were not in dispute save as to whether the Incorporated Accountant lost his eyesight in consequence of the accident. This was a fundamental question and, having paid great attention to the expert medical evidence, he (the Arbitrator) had decided that the loss of eyesight was proximately caused by the accident. He next had to decide, as a matter of law, if consent implied or was distinct from knowledge. The distinction was a fine one, but, of course, there was a difference between consent and knowledge. In Exception (d) the word "unlicensed" must not be disassociated from "consent or knowledge," because the Exception did not simply mean that in no circumstances should an unlicensed person drive a car. The Assured had no knowledge that the traveller did not possess a licence and, therefore, there could be no consent to the car being driven by an unqualified person. Consequently the Insurers were not protected by Exception (d). They would have been had there been consent, since an Exception protects the Insurer by restricting the scope of the insurance, whilst a Condition protects the Insurer by imposing some responsibility upon the Assured.

Condition (1) was clearly governed by Condition (7), so that fulfilment of the obligations imposed on the Assured by Condition (1) was a condition precedent to rendering the Insurers liable under the policy. The only remaining question was, did the Assured give notice of the accident "with all reasonable speed considering the circumstances of the case"? *Prima facie*, the delay of a month in giving notice was unreasonable. Moreover, no circumstances had been disclosed which would render the delay reasonable. It could not be said that a person does not meet with an accident merely because his injuries are not at once apparent. Knocking a man down with a moving vehicle would give rise to some apprehension in the mind of any reasonable driver, by whom notice should be given to his employer, who would thus be able to take advantage of the insurances which he had taken out. In this case "immediate notice" was not given by the Assured within the terms of the policy and, therefore, the Assured did not fulfil the condition precedent which it was essential to observe, to render the Insurers liable. On these grounds, the Arbitrator concluded, he would award that the Insurers were not liable to the Assured on the policy. Costs (as to which counsel did not address the Arbitrator) would follow the event.

The meeting concluded with a cordial vote of thanks to the Arbitrator and his colleagues, which was proposed by Mr. C. B. Hewitt, F.S.A.A., and seconded by Mr. Edgar S. Underwood, C.C. (President), and Mr. W. Gilbee Scott (Past President), and suitably acknowledged by Mr. J. R. W. Alexander. The Institute had invited Incorporated Accountants and their students to the Practice Arbitration, and amongst those present was Mr. Thomas Keens (Immediate Past President of the Society of Incorporated Accountants and Auditors).

Some Points in Bankruptcy Law.

A LECTURE delivered before the Nottingham, Derby and Lincoln Society of Incorporated Accountants by

MR. O. K. METCALFE, M.A., LL.M. (Hons.),
BARRISTER-AT-LAW.

MR. METCALFE said: For a period of four centuries the Legislature has attempted to grapple with the case of the man who is unable to pay his debts. The principles upon which it has acted have been varied in the extreme. Originally, such a person was regarded as a criminal. In the course of time the view veered round in so far as he came to be regarded as an unfortunate man. Also, even when the penal view gave way to the remedial, it was only a certain type of debtor who could seek the relief afforded by the Legislature, viz, the trader. Now this distinction has disappeared, leaving no trace behind except, perhaps, in the case of the married woman.

OBJECTS OF BANKRUPTCY LEGISLATION.

(*a*) To protect creditors against each other. Before the Legislature intervened it was "each creditor for himself and Devil take the hindmost."

(*b*) To enable the debtor to make a fresh start when he had done what he could to wipe out the former disaster.

(*c*) To distinguish between the merely unfortunate debtor and the reckless or fraudulent debtor.

In pursuance of this latter object the Legislature has not only created bankruptcy "offences," but has placed a check upon the fraudulent debtor's further activities by providing that his discharge may be postponed indefinitely.

CAPACITY.

The general rule is that any person who can become a debtor can be made a bankrupt. There are the following "variations":—

Infants.—In so far as the Legislature deprives the infant of contractual capacity he cannot be made a bankrupt. He may be made a bankrupt with regard to contracts for necessaries, but he is not liable to bankruptcy proceedings on a bill of exchange given for necessaries (*Re Soltykoff*). It is possible that the infant may be made a bankrupt for debts arising out of a tort. When an infant is a partner in a firm, bankruptcy proceedings can be instituted against the firm, provided the infant's name is left out of the proceedings.

Married Women.—The old distinction as to traders and non-traders possesses a last foothold with regard to the position of a married woman. *Provided* she is carrying on business, either alone or in conjunction with her husband, she can be made a bankrupt; but only in such circumstances. The supplying of personal services *alone* is not a trade or business. It has been held that where a music hall artiste not only acted but, for fixed sums per week, produced complete scenes, providing the necessary labour and accessories, she was "carrying on trade or business." Moreover, a married woman is a constructive trader so long as any debts remain arising out of a business carried on before her marriage, even although she has not traded since her marriage (*In re Reynolds* (1915), 2 K.B., 186).

Formerly, even when a married woman was liable to bankruptcy proceedings, a petition could not be founded on her non-compliance with a bankruptcy notice, as the latter calls upon the debtor to pay personally, whereas the judgment against a married woman, in the *Scott* v. *Morley* form, directs payment out of her separate estate. This quibble was swept away by sect. 125 (2) of the Bankruptcy Act of 1914, which enacted that such judgment, whether or not expressed to be payable out of her separate estate, should be available for bankruptcy proceedings founded on a bankruptcy notice.

If a spinster marries during an adjournment of a bankruptcy petition against her, she is not liable to further bankruptcy proceedings.

Lunatics.—(*a*) A lunatic not so found can be made bankrupt on an act of bankruptcy committed prior to lunacy or during a lucid interval. A person may be appointed by the Court to act for the lunatic in such proceedings. (*b*) A lunatic so found is available for all bankruptcy proceedings under the cloak of his committee, who, nevertheless, is subject to the direction of a Judge in Lunacy, who controls the whole proceedings. The lunatic's property vests in the trustee, but subject to the directions of a Judge in Lunacy.

Foreigners.—A foreign Ambassador cannot be made bankrupt, but other aliens who are domiciled here, or ordinarily resident here, or who carry on business in England either personally or otherwise, are amenable to bankruptcy proceedings.

There are the following miscellaneous provisions with regard to insolvency :—

A convicted felon may be made a bankrupt.

The fact that a man is an undischarged bankrupt does not prevent him from being made a bankrupt. In that event property acquired by the bankrupt after the first adjudication, and not distributed or dealt with by the Trustee in the first bankruptcy, and subject also to the *bona fide* claims of third parties, is vested in the Trustee of the second bankruptcy. The Trustee in the first may prove in the second bankruptcy.

Associations registered under the Companies Acts are "wound up," not adjudicated bankrupt.

When a person dies insolvent his property may be ordered to be administered in bankruptcy on somewhat similar lines as if he had been living.

If a person dies after the presentation of a petition proceedings go on in the ordinary manner.

THE RULE IN *Ex parte Waring.*

The formal statement of the Rule is—that if property has been deposited by one party, liable on bills of exchange not yet due, into the hands of another also liable thereon in order to meet the bills, and before the bills become due or are paid, *both* parties to the deposit become bankrupt or insolvent, the holders of the bills, although ignorant when they took them of the deposit made to secure them, are entitled to have it applied in payment thereof.

The Rule is difficult to grasp because there is no real justification of it, except on the ground of expediency. It offers the holder an alternative to venturing into the perplexities of complicated cross-proofs between the parties.

In order that the Rule shall apply, there are the following requisites :—

(*a*) There must be a specific appropriation to meet the bill.

(*b*) There must be a double insolvency.

(*c*) There must be a double right of proof.

The Rule may be illustrated as follows : Richard Roe asks John Doe to lend him £200. Doe says he will lend him the money, but not on his signature alone. Roe then begs his friend Robin Goodfellow to join in a bill of exchange with him, thus making himself liable on it as well as Roe. Not being a philanthropist, Goodfellow only agrees on condition that some security is deposited with him in case he should be held liable on the bill. Roe deposits his motor car with him as security. Doe knows nothing of this security, but lends the money on the security of the bill of exchange bearing the signatures of Roe and Goodfellow. Subsequently, both the latter become bankrupt. Now Doe could prove against both estates, but this would be a complicated business ; accordingly the law, instead, allows him to seize the motor car.

Although usually applied only where the acceptor and drawer become bankrupt, the Rule has been extended to the case of a security furnished by a person who has had the benefit of a bill to which he was not strictly a party. Thus, in *Smart, Ex parte* the Rule was applied where the holder was himself the drawer, and although he was not entitled to prove on the bill against two firms, he was entitled to prove against the acceptor, who had accepted for the accommodation of a firm to whom the drawer of the bill had sold goods, and, of course, he was entitled to prove against the latter for the price of the goods. Therefore, he was entitled to take advantage of remittances sent by the buyers to the acceptor.

If the security should prove deficient, the holder may prove for the deficiency.

THE POSSESSION, ORDER OR DISPOSITION CLAUSE.

In certain circumstances the Trustee may seize property which is not that of the bankrupt. The reason for this is that the property has been left in the hands of the bankrupt in such a manner as to enable him to secure credit, which he could not have obtained otherwise. In order that this right shall arise, the following conditions must be observed :—

(*a*) The property must be "goods" or trade debts.

(*b*) In the possession or disposition of the bankrupt.

(*c*) In the way of his trade or business.

(*d*) In such a manner that he is the reputed owner thereof.

(*e*) With the consent of the true owner.

(*f*) At the commencement of the bankruptcy, *i.e.*, at the moment of the first available act of bankruptcy within three months of the receiving order.

It is not sufficient that the goods are employed casually in the business. Such must be their primary use. Thus the clause did not apply in *Lamb* v. *Wright* (1924, 1 K.B., 857), when the bankrupt, holding a car under the hire-purchase system for private use, employed it for *business* purposes without the seller's knowledge. The consent of the true owner must be such that the bankrupt is the reputed owner of the goods. If, before bankruptcy, the true owner attempts in good faith to regain possession of the goods but fails through no fault of his, his "consent" is vitiated.

The doctrine of reputed ownership will apply even when the bankrupt has some interest in the goods beyond mere possession. Thus, the doctrine applies :—

(*a*) Where a dairy farmer granted a bill of sale over his stock but was allowed to remain in possession of them so long as he made no default in payment of the sums secured (*In re Ginger*).

(*b*) Where trade goods were assigned in such circumstances that the assignor should remain in possession of the goods and that the assignment should be avoided if the sum rendered for the assignment was repaid on a certain day (*Spackman* v. *Miller*).

Whether or not the circumstances are such as to render the bankrupt the reputed owner is a question of fact. Thus, in one case the bankrupts carried on business as bankers and East Indian agents, and in connection with the latter they sold goods upon commission. Upon the invitation of the bankrupts, certain wholesale silversmiths sent goods to the bankrupts' office to be exhibited in showcases as samples, and the goods were to remain at the risk of the applicants. The usual practice of the bankrupts was to introduce their customer to the applicants, who supplied him from their warehouse with goods corresponding with the samples, but in cases of urgency the bankrupts sold the samples themselves. It was held that the goods were not in the reputed ownership of the bankrupts.

A well known custom may prevent the reputation of ownership from arising; but the onus of establishing such rests upon the true owner. Thus, general warehousemen are known to have the goods of other persons in their possession, hotel-keepers are known to hire furniture, jewellers are known to hold their stock on sale or return terms. There is a similar custom in connection with an antique furniture dealer's business, and such custom prevents the reputation of the bankrupt's ownership from attaching to any of the goods exposed in his shop, so that goods left with the bankrupt by a private customer for the purpose of sale on commission do not vest in the trustee in bankruptcy of the dealer. Where, on an assignment, the goods are in the hands of the assignor's agent, the assignee should notify the latter before notice of an available act of bankruptcy and before the receiving order. A similar notice should be given to debtors on an assignment of book-debts. Failing such notice, the doctrine of reputed ownership arises.

If the true owner loses his goods by the operation of the doctrine, he may prove for their value in the bankruptcy.

PROOF BY AND AGAINST PARTNERS.

When partners become bankrupt the general rule is that in the first place the joint estate is applicable for joint debts, the separate estates for separate debts. Where there is a surplus of a separate estate, after paying separate debts, it falls into joint estate. If there is a surplus on the joint estate it is divided between the separate estates in proportion to the respective interests of the partners.

In the following circumstances joint creditors may claim payment out of the separate estates *forthwith* :—

(*a*) Where no joint estate exists and there is no solvent partner.

(*b*) When the joint creditors have cleared off the debts owing to the separate creditors.

(*c*) When the debt of a joint creditor is the result of a partnership fraud the joint creditor has his election between the joint and the separate estates.

It is a general rule in bankruptcy that a bankrupt must not prove in competition with his creditors; there are the following exceptions :—

(*a*) If a partner has fraudulently used partnership property.

(*b*) When a member of a firm carries on a separate and distinct trade which is a creditor of the firm of which he is a member.

DISCLAIMER.

The Trustee can and should rid himself of burdensome property, *e.g.*, land with onerous covenants, shares liable to calls, profitless contracts.

There is one cardinal rule that while the Trustee is entitled to escape from unfair burdens, interference with the rights and liabilities of others must be reduced to a minimum. Thus, the Trustee cannot disclaim obligations whilst retaining rights in property.

The disclaimer must be in writing, signed by the Trustee. He must disclaim within twelve months of his appointment, or, if he has no knowledge of the property within a month of appointment, within twelve months of acquiring such knowledge. An official receiver filling a vacancy in the office of Trustee has always twelve months in which to disclaim.

Any person interested may compel the Trustee to elect within 28 days of written application. Leave of the Court is required to disclaim leaseholds, unless the property has not been sublet or mortgaged by the bankrupt and either :—

(*a*) the value is under £20 per annum, or

(*b*) the estate is not likely to exceed £300, or

(*c*) the lessor does not bring the matter before the Court within seven days of being served with notice of intention to disclaim.

If the property has been sublet or mortgaged leave must be obtained, unless the lessor, mortgagee or sub-lessee have not replied to a written notice of intention to disclaim within fourteen days.

When a bankruptcy is annulled this does not operate to revert disclaimed property in the debtor.

Any person injured by disclaimer may prove in the bankruptcy.

Unless the Trustee disclaims leaseholds, he incurs personal liability thereon.

Although disclaimer divests the bankrupt and the Trustee of liabilities and rights in connection with the disclaimed property, it does not vest the latter in any other person. A vesting order is necessary for that purpose.

THE DOCTRINE OF RELATION BACK.

As a logical deduction from this doctrine, viz, that the bankruptcy dates from the committal of the first act of bankruptcy within the three months immediately preceding the date of the petition, it follows that all dealings with the bankrupt or his property during that period are void. Certain transactions are protected, viz :

(*a*) All transactions *by or with* the bankrupt in good faith, without notice of an available act of bankruptcy before the receiving order.

(*b*) Payments or deliveries *to* the bankrupt in good faith, without notice of a petition prior to the receiving order.

The doctrine is of great importance to solicitors and accountants consulted by the debtor, because although the Court recognises that the latter should have professional assistance, the requirements of lack of notice and good faith must be observed. If a man comes *with ready money* to a professional man to secure assistance with regard to his financial affairs, the latter is under no obligation to ask whence the money comes, and cannot

be made to refund the money to the Trustee in the subsequent bankruptcy. If, however, the remuneration is in the nature of a charge over the debtor's property, or if the consideration arises in connection with trade debts collected for the debtor, there is an inference of notice, and such must be refunded. Also an accountant who sent out a circular on behalf of a debtor, which itself was an act of bankruptcy, was ordered to refund money which he received for his charges on the following day. It was held similarly when debtors, after consulting their solicitors and accountants, sent a circular to their creditors, which was an act of bankruptcy. Between the date of the circular and the receiving order the accountants collected debts due to the debtors, out of which they paid £130 to the solicitors for costs, and retained £100 for their own charges. Both sums were ordered to be refunded to the Trustee. Nevertheless, solicitors can retain lump sums paid for future services, under a binding contract in writing.

Also a petitioner's solicitor who received moneys from the debtor for adjourning the hearing of the petition was ordered to refund such, even although he had handed them over to his client.

However, a Trustee may adopt and pay for professional services rendered to the bankrupt, if they have clearly produced a benefit to the estate. It is not sufficient that they have benefitted the debtor.

Obituary.

JOHN JOSEPH BURNLEY.

We regret to announce the sudden death of Mr. John Joseph Burnley. Mr. Burnley for many years was Borough Treasurer of Wallasey and was an ex-President of the Liverpool District Society of Incorporated Accountants. He retired from his appointment in 1924, and shortly afterwards resigned his membership as a Fellow of the Society, to which he was admitted in 1900. The Society was represented at the funeral by Mr. C. Hewetson Nelson, J.P., Past President, and Mr. Alexander Hannah, Hon. Secretary of the Liverpool District Society.

Society of Incorporated Accountants and Auditors.

Examinations.

The next Incorporated Accountants' examinations will be held on May 5th, 6th, 7th and 8th, 1930, in London, Manchester, Cardiff, Leeds, Glasgow, Dublin, Belfast, Cape Town, Johannesburg, and Durban.

The Preliminary examination on		May 5th and 6th, 1930.
The Intermediate	,,	May 7th and 8th, 1930.
The Final	,,	May 6th, 7th and 8th, 1930.

Applications to sit for the examinations must be made on the appropriate forms on or before April 1st, 1930.

AMERICAN INSTITUTE OF ACCOUNTANTS

The Executive Committee of the American Institute of Accountants have appointed Mr. A. P. Richardson, the former Secretary of the Institute, to be Editor-in-Chief of the Institute's publications, and in this capacity he will control the editorship of all magazines, books, &c., issued either by the Institute or by the Century Publishing Company on the Institute's behalf. The Secretaryship of the Institute has devolved upon Mr. John L. Carey, who has served the Institute as Assistant Secretary since June, 1925.

The Society of Incorporated Accountants in Ireland.

ANNUAL DINNER.

The annual dinner of the Society of Incorporated Accountants and Auditors in Ireland was held at Jury's Hotel, Dublin, on February 8th.

The PRESIDENT of the Society (Mr. Robert Bell) occupied the chair, and there was a large attendance, including Mr. Ernest Blythe, Minister for Finance; Mr. E. Cassleton Elliott, Vice-President, Society of Incorporated Accountants and Auditors; Mr. Charles E. McGloughlin, Chairman, Dublin Port and Docks Board; Mr. Peter M. Seales, President, Incorporated Law Society of Ireland; Mr. William O'Brien, Chairman, The Revenue Commissioners; Mr. G. Brock, Hon. Secretary, Institute of Chartered Accountants in Ireland; Mr. R. C. Ferguson, Department of Industry and Commerce; Mr. J. J. Halpin, Dublin Chamber of Commerce; Mr. A. A. Garrett, Secretary, Society of Incorporated Accountants and Auditors; Mr. F. Allen, President, Belfast and District Society of Incorporated Accountants; Mr. G. H. Tulloch, F.C.A., Mr. E. A. Anderson, Mr. Norman Booth, Mr. James Baird, Mr. S. Baird (Belfast), Mr. R. J. Kidney, Mr. A. H. Walkey, Mr. S. Boyle (Belfast), Mr. W. M. Budd, Mr. J. H. Barton, Mr. O. J. Belton (Dundalk), Mr. P. J. Reilly, Mr. M. Bell, Mr. T. R. Beddy, Mr. A. C. Boyd, Mr. Norman Baker, Mr. Lennox Braid, Mr. R. W. Cashell, Mr. J. G. Dowling, Mr. T. H. Dagg, Mr. Gerald Ellis, Mr. E. M. Forde, Mr. G. M. Fullerton, Mr. J. F. Graham, Mr. Wesley Guard, Mr. J. Gill, Mr. Alfred J. Hughes, Mr. Joseph Ingram, Mr. J. Kelly, Mr. W. A. Kenny, Mr. R. A. Kidney, Mr. John Maher, Mr. J. Canning Loughridge, Mr. P. McCann, Mr. G. J. Moore, Mr. H. McMillan (Belfast), Mr. David Lyon, Mr. T. A. McMullan, Mr. J. V. MacDonagh, Mr. W. Noble, Mr. A. J. Stewart, Mr. H. J. O'Brien, Mr. P. A. S. Plunkett, Mr. P. J. Purtill, Mr. W. A. Ritchie, Mr. J. Payne, Mr. R. L. Reid, Mr. A. L. Riley, Mr. A. M. Rudd, Mr. David Rea, Mr. A. C. Storey, Mr. Weber Smyth, Mr. C. Stephens, Mr. T. V. Shellard, Mr. J. D. Thompson (Belfast), Mr. James D. Woods, Mr. J. S .White (Belfast), Mr. W. L. White (Cork), and Mr. A. J. Walkey (Hon. Secretary).

The CHAIRMAN, in proposing the toast of "Prosperity to Ireland," said, "In this phrase we recall history, we state our present necessity, and we express our earnest wish for the future. The words should receive a response from each one of us, for it is surely fitting that we extend to our land the sentiment which is vital to the individual and the ideal towards which we all daily strive. Ireland is a country of which we are all justly proud. It is the land in which by birth or adoption we earn our livelihood. We meet to-night as the Society of Incorporated Accountants and Auditors in Ireland, and we again give "Prosperity to Ireland" the premier place on our programme, thereby conveying to the Governments both of the Irish Free State and Northern Ireland our best wishes for the future, and our assurance that, as members of a great Society, we are at all times united in our desire to assist to the best of our ability in making Ireland a power both commercially and financially. Ireland is fortunate in many respects. For natural beauty and scenery of the most varied kind it is unsurpassed, for agricultural lands it is second to none, while the stead-

fastness of purpose displayed by Irishmen is recognised by the fact that throughout the wide world they occupy exalted positions commanding at once respect and confidence. The Governments in Ireland are composed of men who have demonstrated to the world their power to govern and we rejoice with them that peace—without which there is no prosperity—reigns throughout our land. We join in congratulating them on the success which is attending their efforts to stimulate industry. In bespeaking for these Governments the continued confidence of the public, I think that we should consider how the accountancy profession can best render assistance to the country and the community. It is admitted that our profession has made great strides in the past twenty years, and it is prophesied that even greater strides will be made in the next twenty years. It should be our aim that the services which we are capable of rendering will in the future be directed more and more towards the benefit of the community. I do not say that we should interfere with those personal relations which exist between our clients and ourselves, but I do say that inasmuch as there are accountants whose province is private practice, so there are accountants whose gifts and abilities render them eminently capable as administrators, and who should be encouraged to act as advisors to the boards of public authorities, and to serve on the boards of public companies. The commercial section of every country in the world is to-day fighting for supremacy, the agricultural community amongst us is urgently in need of business methods, whilst financial circles are daily becoming more and more alive to the necessity of sound economic bases. I am convinced that a country's prosperity will in future depend in a large measure on efficient business methods modelled on economic requirements, and that accountants should be in the forefront in bringing about that efficiency. Taxation is a bogey which haunts mankind almost from birth to the grave. While we all deplore the necessity for high taxation, I think accountants can and do render assistance to the community by impressing upon their clients as an essential the proper assessment of their just liability, for if each individual pays his proper share there will be a smaller imposition generally. We have all devoted considerable time in recent years to those back duty cases which are not satisfactory to either the Revenue, the accountant or the taxpayer. I am of opinion that no lasting advantage accrues to anyone from the time and effort thus expended, and I feel that accountants, by gradually educating the public to appreciate their responsibilities as citizens in the matter of taxation, will confer lasting benefit on their country. We are living in an age when the laws which have in the past governed our commercial life are being subjected to more severe tests than were ever contemplated. We appreciate that our Governments are alive to the situation, and hail with satisfaction recent reforms instituted both in the Irish Free State and in Northern Ireland to benefit commercial interests. We hope the day is not far distant when the Companies Acts will receive serious attention and be brought more into alignment with modern requirements. The registration of accountants is a matter in which we are vitally interested, and I am of opinion that the time is opportune for Government action. As a Society, we shall give every assistance. We welcome to-night Mr. Ernest Blythe, who has done magnificent work for the Irish Free State. We congratulate him on the excellent results which are attending the labours of his colleagues and himself."

Mr. E. BLYTHE, Minister for Finance, responding, said it was being recognised more clearly that nations were interdependent, and that the failure economically of one nation would be a disadvantage rather than an advantage to other nations. When the Free State tried to capture markets they had nothing in the nature of enmity or animosity in their minds. They wished the very best to those with whom they might be to some extent engaged in the economic struggle. They had there that night a big muster of Northern men, and they were glad of it. Every sensible person in the Free State wished the very best good fortune to the people of Northern Ireland. It would be for the good of the whole country that old suspicions, doubts and mistrusts should die down, and the overwhelming majority of the people of the Free State had entirely lost any desire, if they ever had it, to interfere with Northern Ireland or its constituted authorities. They recognised that the best contribution they could make to the good of their country was to do the best they could for the part of the country of which they had charge. He did not think that the high taxation evil was going to be overcome in any country, because the whole tendency throughout the world was to demand additional services from the State. It was the duty of the Government of any country, circumstanced as their country was, to recognise the dangers, economical and social, of high taxation, and to go as slowly as they could in the matter of social duties which meant fresh charges on the public. Whether increased taxation meant an evil depended very largely, if not mainly, on the public value which was got for the expenditure which necessitated that taxation. Mr. Blythe went on to say that the Government was due to make a further issue of National Loan this year. Previous issues, he said, were necessitated by abnormal charges, but in the future the issue of loans would be made entirely for reproductive purposes. (Hear, hear.) If it became necessary shortly to proceed with the further development stage of the Shannon scheme, money would have to be borrowed, as it would also be necessary to borrow if there was to be increased activity in housing. Referring to the status of accountants, Mr. Blythe said that if a scheme could be prepared which was approved by those interested, then they might take it—to put it in its mildest form—that the Government would put no obstacle in the way of having a new scheme put into effect. (Applause.)

Mr. CHARLES E. MCGLOUGHLIN (Chairman of the Dublin Port and Docks Board) proposed the toast of "The Society of Incorporated Accountants and Auditors." He said that the Society was worthy of their very generous and hearty support. The Chairman had mentioned to him that the Society was spread through the whole of the United Kingdom and the Free State, and that appealed to him, because it was not one of those aristocratic societies that one could only enter if born with a silver spoon in one's mouth, but was one in which, on passing examinations, one could rise to the top of the tree. Probity and honour were the foundations of an organisation of that kind, and the organisation helped to maintain that standard. Business men had largely to depend on auditors in their difficulties. In regard to business, he would like to see this country better educated in the matter of costing, which was really the fundamental to success in business. In Ireland costing was very backward, and very little importance was attached to it by manufacturers. He felt very strongly on that, because he had seen many cases where people, if they had not more money in December than in January, did not know whether they were succeeding or not. The agriculturalist was up against great difficulties. Every year they saw more land going out of cultivation and more land being turned into cattle ranches. In his humble opinion the great difficulty of agriculture was marketing. He thought it might be

worth while for the Society to turn its attention to that subject.

Mr. E. CASSLETON ELLIOTT (Vice-President, Society of Incorporated Accountants and Auditors) said that their President, Mr. Morgan, had asked him to express his sincere regret that he was unable to attend in this his first year of office. He congratulated the Society in Ireland on having elected Mr. Robert Bell as President for the year. He was sure Mr. Bell would look after their interests well. He would like to say a word about their old friend, Mr. Walkey, whom he had known for some years. Mr. Walkey was a quiet, unassuming man, but the wisdom which he brought to meetings of the Council they all valued very much indeed. (Hear, hear.) During the year Branches of the Society had developed throughout the whole of England, Ireland and Scotland, and they were developing on the right lines. The development brought into prominence greater facilities for students and articled clerks. He wanted to say to the young students that it was the object of the Society to help them so that they would not only qualify but be educated in the work of the profession. As regards costing, they were looking after the subject as much as they possibly could. They were studying it and setting questions in it. The subject had been taken up for some time past, and at the recent International Congress in America a whole day was given to the question. The members of the Conference came back with the idea that costing required much more attention in these countries than had been the case in the past. What they really wanted was to help industry and to tell the manufacturer and distributor what the results were going to be at the end of the year. They had opened their new Hall in London during the year, and it was serving a very useful purpose. As regards registration, he thanked Mr. Blythe for his expression of goodwill. The question was now going to be threshed out in public, to know if the public desired registration.

Mr. A. A. GARRETT, M.A., B.Sc. (Secretary of the Society of Incorporated Accountants and Auditors), proposing the toast of "The Guests," said that it was a great pleasure to have amongst them Mr. Blythe (Minister for Finance), Mr. William O'Brien (Chairman of the Revenue Commissioners), Mr. Ferguson (of the Department of Industry and Commerce) and Mr. Peter M. Seales (President of the Incorporated Law Society of Ireland). On behalf of the Society he would reiterate how pleased they were to welcome so many guests, and he hoped that they would come again.

Mr. PETER M. SEALES, responding, thanked them for the toast and for the manner in which it had been honoured. The relations between the legal profession and the accountants were of the most friendly nature.

Mr. G. BROCK, F.C.A. (Hon. Secretary of the Institute of Chartered Accountants in Ireland), also responded.

Mr. R. C. FERGUSON (of the Department of Industry and Commerce), proposing the toast of "The President," referred briefly to the importance of registration, and said that with the approval of all branches of accountancy there should be no difficulty in the matter.

The PRESIDENT, in acknowledging, proposed the health of Mr. A. H. Walkey, F.S.A.A., and Mr. A. J. Walkey (the Hon. Secretary, Society of Incorporated Accountants in Ireland). Messrs. WALKEY appropriately responded, and the proceedings concluded with the singing of "Auld Lang Syne."

THE NATIONAL SAVINGS MOVEMENT.

Thrift Schemes for Employers and Employees.

The following schemes have been set up by the National Savings Committee, the organising body of the National Savings Movement, and have, we understand, received the approval of the Chancellor of the Exchequer.

SCHEME No. 9.

The first of the schemes is called Scheme 9. The general terms of the scheme are that the employee undertakes to save an agreed amount weekly in order to accumulate an agreed total in National Savings Certificates. The employer undertakes to make the employee's savings up to that total, which will be paid to the employee's legal personal representative or next-of-kin should the employee die before accumulating the agreed total by his own efforts.

The employer agrees with the employee upon the amount which the latter is to subscribe weekly under the scheme. That amount may be anything from 1s. a week to 4s., the benefit guaranteed by the employer varying, of course, in proportion to the employee's rate of saving. When the amount subscribed weekly by the employee is 1s. the sum of £50 will be reached in a little less than 15 years.

A member's investments under this scheme are always his own property. He can withdraw his savings at any time without waiting for the agreed period to run its course, but a member who withdraws in that way automatically ceases to be a member of the Association, and has no further claim upon the Association and upon his employer.

An employer can carry his risks under the scheme himself or can take out an insurance policy with one of the companies that have already undertaken to do business under the scheme. An employer's expenditure under this scheme may be counted as a trade expense for purposes of income tax.

The cost of the scheme to an employer is quite small. For instance, in the case of a firm whose employees are of normal age and save 1s. a week, the average cost to the employer in the first year, allowing for rebate of income tax, is about 6s. per employee. The charge on the employer then diminishes year by year as the employee's savings rise towards the agreed total of £50, and after 15 years it disappears altogether.

SCHEME No. 10.

Under Scheme 10 an employer encourages the employee to save, not by giving him a measure of insurance (as in Scheme 9), but by directly supplementing his savings. This scheme will be found particularly useful in the case of small staffs, where provision cannot be made on a large scale for retirement and disablement of employees. It is just as applicable, of course, to the employers of large undertakings. In both cases it is very suitable for the formation of retirement, disablement and long service funds.

The agreement made between employer and employee is that whenever the employee has bought an agreed number of Savings Certificates, then the employer at his own cost is to add a certificate or certificates to those the employee has bought. Assuming that the employer undertakes to add one certificate to every eight certificates

bought by the employee, then the cost to the employer, allowing for rebate of income tax, would be 5s. 2¼d. a year in respect of that employee.

OTHER SCHEMES.

In addition to Schemes 9 and 10, the National Savings Committee has several other schemes of saving adapted to the needs of different groups of people. Nearly 30,000 Savings Associations have been set up all over the country to work these schemes of saving, and new associations are being formed every month.

Information regarding Schemes 9 or 10 or any of the other schemes referred to can be obtained from the National Savings Committee, Sanctuary Buildings, Westminster, London, S.W.1.

ROYAL NAVAL RESERVE.

(ACCOUNTANT OFFICERS.)

From time to time opportunities occur for gentlemen of suitable qualifications to make application for commissions as Paymaster Sub-Lieutenants in the Royal Naval Reserve. The appointments are made by the Admiralty after recommendation by a Board of Selection. There are a few vacancies at the present time.

Officers of the Accountant Branch, Royal Naval Reserve, continue their ordinary occupations but must be prepared to give a certain amount of time for training with the Royal Navy. Candidates must be between 21 and 25 years of age and should have had substantial accountancy experience for at least three years. They should be able to produce certificates of education and testimonials from employers, and be possessed of those qualities expected of officers. A strict medical examination is required.

The minimum requirements of training are as follows :—

(*a*) Probationary Paymaster Sub-Lieutenant—twenty-eight days' continuous training in one of H.M. Ships to be performed within one year of appointment.

(*b*) Paymaster Sub-Lieutenant and Paymaster Lieutenant—fourteen days' continuous Naval Training biennially.

(*c*) Paymaster Lieutenant-Commander and Paymaster-Commander—fourteen days' continuous Naval training every three years.

Officers may also volunteer for a longer period of training up to 91 days, in one or more periods.

While borne on the books of H.M. Ships and Establishments for training or service, officers are subject to the Naval Discipline Act and are considered in all respects as officers of H.M. Ships. Subject to compliance with the regulations, officers receive the privilege of approved pay and allowances.

A number of Incorporated Accountants served in the Royal Naval Reserve during the War, and the names of several of them still appear on the Active List of the Royal Naval Reserve.

Further information may be obtained through the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

Belfast and District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the Belfast and District Society of Incorporated Accountants and Auditors was held on February 10th, at Thompson's Restaurant, Belfast.

Mr. FRED ALLEN, F.S.A.A., the President, occupied the chair, and amongst those present were the Right Hon. Sir William Coates, Bart., D.L., J.P., Lord Mayor of Belfast; the Right Hon. J. Milne Barbour, D.L., M.P., Minister of Commerce in Northern Ireland; the Right Hon. Sir Edward Archdale, Bart., D.L., M.P., President of the Belfast Chamber of Commerce; Mr. George B. Hanna, M.P., Parliamentary Secretary to the Ministry of Home Affairs, Northern Ireland; Mr. W. D. Scott, C.B.E., Secretary, Ministry of Commerce, Northern Ireland; Mr. J. Stewart, Private Secretary to the Ministry of Commerce; Mr. W. Abbott, O.B.E., Registrar of Joint Stock Companies; Mr. W. R. Maconkey, Comptroller and Auditor-General, Northern Ireland; Mr. Henry Morgan, F.S.A.A., President of the Society of Incorporated Accountants and Auditors; Mr. H. G. Coulter, Inspector of Taxes, Belfast; Mr. H. Trevor Montgomery, F.C.A., President of the Institute of Chartered Accountants in Ireland; Professor H. O. Meredith, O.B.E., M.A., M.Com.; Professor F. T. Lloyd-Dodd, M.A., D.Sc.; Mr. Alexander Wilson, President of the Belfast Insurance Institute; Mr. G. H. Pollock, Secretary of the Incorporated Law Society, Northern Ireland; Mr. E. E. Edwards, Assistant Parliamentary Secretary of the Society of Incorporated Accountants and Auditors; and Mr. Robert Baillie, President of the Incorporated Law Society, Northern Ireland.

The loyal toast having been duly honoured,

The CHAIRMAN proposed "The Government of Northern Ireland." He said that in local trade and industry there were problems enough to be solved, but instead of crying out for someone to come to help them, why not try some hard and well-directed work? There must also be initiative and courage to scrap old methods, old machinery and out-of-date ideas. Their industrial and economic problems were not incapable of solution, provided there was goodwill and a real desire for improvement on all sides. Most accountants and modern business men were noting with great interest the formation by the Imperial Government of a new economic advisory committee of a representative character. It would be all to the good if purely economic and business questions were removed from the party arena and inquired into on their merits as practical problems. Only that day he had been reading a reference to this matter, and he thought that the Northern Ireland Government should give some attention to the setting up of the Committee.

The Right Hon. J. MILNE BARBOUR, who responded, said: "If there is one body more than another with which a Government in any country would seek to stand in good relations it is, I imagine, a body such as yours. The profession to which you belong stands, as it were, behind the ranks of those responsible for the collection of the revenue upon which every State must depend for the financing of public business, and I do not think it is too much to say that without your presence the principles of direct taxation which form the bulwark of our financial system could hardly be applied. It is accordingly with

sincere pleasure that I welcome this toast and that I thank you on behalf of my colleagues in the Government and myself for the warmth with which you have received it. You will have been vitally interested in the trend of recent company legislation in Great Britain, and, as you will already be aware, we—that is to say, the Government of Northern Ireland—propose to introduce parallel legislation at a very early date. The changes made in Great Britain were the result of a comprehensive survey of the whole position and of many months of deliberation on the part of Committees both inside and outside the House. These deliberations have finally crystallised in the Companies Act of 1929. During the last few years the investing public, largely increased in numbers since the war, have had to stand up to a series of shocks for which I imagine we would find no real parallel since the days of the South Sea bubble. It is only natural that under such circumstances the investing public should have had very definite opinions to express, and to these opinions the Board of Trade Committee gave a most patient hearing. It is gratifying, extremely gratifying, to note that the Committee reported that on all the evidence before them they were satisfied that the great majority of limited companies, both public and private, were honestly and conscientiously managed. In Northern Ireland company registration does not approach in volume that of Great Britain, but it is nevertheless true that the business of our Province is now very largely in the hands of limited companies. We have in round figures 1,500 living companies with a paid-up capital of £50,000,000, figures which I regard as substantial having regard to the numbers of our population and the extent of our industries, as compared with those across the water. We shall have our own peculiar problems to settle in relation to the application of the British reforms to Northern Ireland, and in drafting the Bill it is my intention to seek on matters of principle the guidance of bodies such as your own, in order that we may be sure that our amending legislation may fit our own conditions. I pass from the law governing the constitution of companies to a matter kindred, but even more important, namely, the production and disposal of their goods. Many of you will have seen in the *Belfast Gazette* early in January an intimation of the proposal to take a census in Northern Ireland in 1931 in respect of production in 1930. I am well aware that members of your profession realise as acutely as any of us the necessity of properly and regularly collected statistics by which the production of industry and commerce may be measured. In this matter we lag far behind the United States of America, where a biennial Census of Manufacture is now taken on information which the American Government insists, and American producers agree, should be furnished. The great Dominions of the Empire, too, are more active in this respect than we are, and in all industrial countries of the world the need for more information regarding production is being felt and acted on." This was illustrated by the reading of an extract from the *Bulletin of the British Engineers' Association*. Mr. Barbour appealed for the active co-operation of Incorporated Accountants, especially in cases where firms might have difficulty in adjusting their individual accounts and statistics so as to furnish accurately the particulars required. He also spoke of the electrical development in Northern Ireland, and said they must "hasten slowly."

Mr. JAMES BAIRD (Vice-President of the Belfast and District Society) proposed "The City and Trade of Belfast," and said that was a sentiment to which accountants could heartily subscribe. He went on to speak of Belfast's position among the municipalities—the first in Ireland and the eighth in the United Kingdom. The port was sixth in the Kingdom in its collection of Customs revenue, and the rateable valuation was £1,831,392, while the rates, including 2s. for water, were 12s. 6d. in the £. He also referred to the public services, and emphasised the need of an aerodrome if the city was to keep abreast of the times. The linen trade was under a cloud, but he hoped that was only temporary.

The LORD MAYOR, in responding, said he hoped there would not be a rise of much more than a shilling in the £ in the City rates this year. Proceeding, he said he had the honour of belonging to the Stock Exchange, which was very closely allied with accountants' and auditors' work. Not long ago a suggestion was made by a fellow society of theirs that in all future transactions the numbers of shares should be left out of the transfers. That would be a great help, not only to his profession, but probably to theirs, but the opposition offered by the Stock Exchange to the leaving out of the numbers should be supported. Recent developments in financial circles in London had proved to all who knew anything about the matter the necessity of the distinctive numbers of the shares going into the transfers.

Mr. H. G. COULTER (Inspector of Taxes) proposed "The Society of Incorporated Accountants and Auditors," in a humorous speech, in which he said that he had been struck by the modesty, amounting almost to self-effacement, of the Belfast business man. "We do our best to give them a better idea of their business abilities," he said, "but they take a lot of persuading." Seriously, he added, they on the revenue side owed a lot to the Incorporated Society. "You and I have got to reach a common point—the taxpayers' liability under the Income Tax Acts. We approach it from different angles, but that is the point to which we must strive." The small percentage of cases they had to take to a higher tribunal was the measure of their success, and very much of the smooth working of government was due to the professional societies and their members.

Mr. HENRY MORGAN (President of the Society of Incorporated Accountants and Auditors), who responded, said that since he had filled that office he had attended many similar gatherings in industrial centres and had listened to many speeches by prominent representatives of the great productive industries, and he had been profoundly impressed—and, in fact, depressed—at the deplorable accounts of the ruling conditions in various trades, and at the unrelieved gloom with which they viewed the immediate outlook. So far as improvement was concerned, nothing more than a pious hope was expressed. It was no use shutting our eyes to the fact that many of our important industries were in a very serious condition. There were a large number of contributory causes. First, there was the extremely heavy burden of national and local taxation, relatively far in excess of what our competitors in other countries had to bear. Secondly, there were enormous losses which the investing public had suffered through the unhealthy and excessive craze for speculation during the last two years. Thirdly, there was an uneasiness amongst traders as a result of many unsatisfactory features in public company practice. This had very seriously damaged business credit generally. In the fourth place, as a result of the continuance—and, in fact, the extension—of the dole there was a demoralisation of a large part of our industrial population, especially those of an early age, who, upon leaving school, would, in certain circumstances, shortly be receiving what would appear to them to be a substantial amount of money without the necessity to work. The fifth point was the uncertainty as regards the policy of the Government

in connection with safeguarding and revenue duties, the extent of the changes, and the date when they would come into operation. This factor had, in his opinion, added very considerably to the acute depression in trade and the continual increase in unemployment, because it was paralysing quite a number of our important productive industries. Practically all foreign countries that were our serious competitors had experienced the advantage of a consistent fiscal policy. It was not for him to express an opinion on the various fiscal policies, but changes in the fiscal system, or even the probability or possibility of changes, had an effect on business and industry, and especially on productive industry, that was not generally appreciated. It was, therefore, unfortunate that these fiscal questions should form part of the programme of various political parties. What was causing the harm to-day was the fear of sudden and extreme changes in duties at present in operation, and he therefore made a suggestion, although with very great diffidence, that the Government should be asked to give an undertaking that, in the event of it being decided to remove or to reduce the existing duties, the change should be effected in graduated stages over a reasonable period of time. Continuing, Mr. Morgan said he could testify to the excellent relations that had always existed between members of the Incorporated Society and officials of Mr. Coulter's important branch of the Civil Service. He had known Mr. Coulter many years ago, and little thought then he would meet him as the proposer of that toast while he responded as President of the Incorporated Society.

Mr. ROBERT BELL (President of the Irish Branch of the Society) also responded. He said the progress of the Irish Branch, in Belfast, Dublin and also in Cork, must be a source of satisfaction to them all. That progress was shown not only in internal but in external activities, which were many and various. Not the least were the facilities they offered to their student members by lectures and debates on subjects of outstanding professional interest, thus helping them in their education. In its external relations the profession was coming more and more into touch with the public day by day. Not the least important side of these activities was the dealing with the claims and the assessments and liabilities of the taxpayer. And the confidence which the Inland Revenue reposed in the Incorporated Society was evident when the Senior Inspector in Belfast referred to it in such excellent terms. He thanked Mr. Coulter, and, through him, the other officials for the courtesy they had at all times extended to the members of his profession. The problems they had to face called for very serious attention with a view to the elimination of waste and the substitution therefor of output produced at competitive prices. He was glad to feel that in this respect the Incorporated Accountants, both individually and as a body, had been able to bring to those problems a special knowledge and experience. In Ireland they were very pleased to acknowledge the relations which existed between the Parent Body and the districts. Recently a situation arose which they in Ireland thought required the experienced assistance of some one from London. So they sent to London, and in less than a week Mr. Morgan and the Parliamentary Secretary came over specially to help them out of their difficulties. So long as that feeling existed between the Parent Body and themselves the real support of the Irish Body was always at the disposal of the Parent Society. He would convey to Mr. Morgan, on behalf of all Irish members, their determination to line up to the Society's motto and to show that Irishmen were not the least amongst the Society's members in making it a power throughout the world.

Mr. JAMES BOYD, F.S.A.A., proposed "Our Guests," to which Mr. ROBERT BAILLIE, Mr. H. TREVOR MONTGOMERY, F.C.A., and Professor MEREDITH responded.

Mr. MONTGOMERY said he believed in the closest co-operation between the Chartered and the Incorporated Accountants, and he did all in his power to foster the feeling. He mentioned that a few days later there was to be a debate between Incorporated Accountants' students, Chartered Accountants' students, and students of the Northern Ireland Law Society.

A LIQUIDATOR'S CLAIM.

Alleged "Conditional" Allotment.

A recent case decided by Mr. Justice Eve, *A. W. Craven & Co., Limited*, v. *Murgatroyd and Others*, has given rise to some interesting points. The facts are peculiar and unusual.

The case was a claim by the liquidator, Mr. C. E. Claridge, A.C.A., A.S.A.A., against all the directors of the company, in respect of an *ultra vires* payment. After the registration of the company, Murgatroyd applied for 2,500 shares, and paid the full amount to the company's bankers at the time of the application. In due course the shares were allotted to him, and he was appointed a director, along with the permanent directors. In this capacity, he attended the statutory meeting, moved and seconded various resolutions, and took part in the administration of the company's affairs. Later, he was dissatisfied with the management adopted, and his share capital was repaid to him by the company.

When the company's first audit took place, the auditor found out that there was no share register. Accordingly, one was written up and the annual return sent in. It was then ascertained that no return of allotments had been made. A return of allotments was sent in to agree with the share register and the company's capital account, which ignored the 2,500 shares of Murgatroyd. His name had not been recorded in the return of allotments, neither was it included in the share register.

The defence was that there was a conditional allotment, and even if there was not, the fact that Murgatroyd's name was not on the share register was evidence that he was not a shareholder.

The decision is that it is clear that, whatever arrangements Murgatroyd may have made, there was no condition attached to the allotment by the company, and the company had no knowledge of any conditional application. The money was allocated by the company to share capital account, and as such had to remain share capital and could not be repaid out of the company's assets except by Order of the Court.

The other interesting point of defence raised was, therefore, not decided—that is, at what actual point of time does an individual become a member of a company? Is it when the allotment is made by the directors; is it when notice of allotment is sent to the shareholder; is it when the register of members is written up; or does it depend on any other data?

Amalgamation of Companies.

A PAPER read before the Manchester and District Society of Incorporated Accountants by

MR. HALVOR PIGGOTT,
INCORPORATED ACCOUNTANT.

Mr. PIGGOTT said: The Paper I am going to read to you this evening is upon a subject which has come very much to the fore within recent years. Amalgamation of companies has, of course, taken place I suppose almost ever since limited companies came into being, but it is only within fairly recent times that it has proceeded and developed to any very great extent. I suppose in the future there will be yet further amalgafnations both in old or in new industries as the need for them arises. Within recent years the word "merger" has been perhaps more generally used than the rather more cumbersome one of amalgamation, and I have heard it said that rationalisation is now the blessed word for it. This, however, is a twisting of the proper meaning of that word, for rationalisation of a business or industry does not mean amalgamation or merger; it means the regarding and treating of the matter rationally—which may entail amalgamation, or which may not.

Now to do adequate justice to this subject would take, I fear, not one but several evenings, and so I can but deal lightly with many points which could be elaborated and dilated upon to some length. I trust, therefore, you will pardon any omissions which I may of necessity have to make. The word "amalgamation" in the dictionary is given as meaning "the blending of different things." There is, however, another definition which is rather more long-winded and therefore less intelligible. The dictionary definition does not adequately convey the meaning of the word in its business sense, *i.e.*, in relation to limited liability companies, and probably that is why the term "merger" came into use. The meaning of this word is "the sinking of an estate or security into something larger or of higher value." Amalgamation in the business sense, however, does not necessarily mean that the businesses themselves become merged, but rather that the interests of the owners have become unified, and there are several methods by which this can be brought about. There may be complete absorption, there may be merger in whole or in part, and it may be either permanent or temporary. Complete absorption is entailed when complete amalgamation is adopted; merger by way of a holding company scheme does not entail absorption, but is usually permanent, and the third method—usually mainly temporary in character—is that of a pooling agreement.

Amalgamations or mergers are only entered into because some advantages are expected to accrue to the parties concerned from the fact of the amalgamation. There are advantages and disadvantages which are common to each method of amalgamation, but each type has a few special advantages or disadvantages which make it necessary that the proposals for amalgamation should be fully weighed in order to determine which method will obtain the greatest benefits with the minimum disadvantages. The kind of advantages that may be expected to accrue from amalgamation are, first and foremost, those of Economy in various manners, in order that there may be obtained increased profits. Next to Economy there comes Strength, and lastly Convenience.

These are the objects for which amalgamation is sought: to save money and increase business and thereby improve profits; to ally one business with another in order to gain in strength from the pooling of resources and brain power; to make it easier for a proprietor to dispose of his interests either wholly or in part.

ADVANTAGES OF AMALGAMATION.

Briefly detailing some of the advantages that may accrue I would mention:

Economy in Overhead Expenses.—Under amalgamation it may be possible for one factory or works to turn out larger quantities of goods, and so reduce the ratio cost of production to sales. Similarly, a merchanting business may by careful re-organisation centralise its warehouse or reduce its depots, and so also reduce the ratio of expense to sales.

Economy in Transport Charges.—By a re-arrangement of the production or the depots a considerable saving in the cost of freight or road transport can often be obtained.

Economy in Buying.—It will probably be possible to effect considerable savings in this direction. Purchases of larger quantities, bulk supplies, whether of raw materials or stores, can usually be made on more favourable terms than for smaller quantities; and, another little point, sales bonuses, where given, will probably be materially improved on the larger combined turnover that will result. The cutting out, by amalgamation, of some competition may also enable goods to be bought more cheaply. The main buying may also eventually be placed in the hands of the man who has proved himself to be the most skilful and clever buyer.

Economy in Advertising.—This would be of particular appeal to businesses that have to incur a very heavy advertising expense by reason of competition. An amalgamation of competitors may result in the curtailing of these expenses, or the advertising may be directed into better channels, each section pushing its own speciality without overlapping and with better results. Again, the fact of having larger contracts to place should secure more favourable terms.

Economy in Stocks, &c.—It will probably be found that where businesses are complementary it will be possible to carry relatively smaller stocks, which consequently entails the use of less floating capital.

Economy in Capital Expenditure.—The duplication of capital expenditure could probably be eliminated by the specialisation of each business or works upon part of the range of production or goods, instead of the whole range. Also, works more favourably situated or better arranged could be worked to full capacity with consequent saving both of capital expenditure and overhead expenses.

Amalgamations are *calculated to prevent* "*cutting*," or undue reductions in price due to competition.

Economy in Administrative Expenses may take place.

Strength.—An amalgamation should benefit by reason of greater stability in its businesses, greater ease of and improved administration, and greater financial strength. It should benefit to a great extent by the pooling of brain power. For example, the best men in each business can be utilised for the benefit of all. This may result in better buying, more enterprising selling, better handling of transport, improvements in processes, &c. It enables men to specialise, and therefore become even more expert with consequent advantage to the business, and it also gives scope to young men to come forward with enthusiasm and ideas and for them to be given a chance to demonstrate their powers which otherwise might be denied them in a smaller undertaking not able to afford the expense of experiments, or where senior men were so entrenched that youth would have no look in.

Convenience.—On this ground there may be many reasons why amalgamations are desirable to the individuals primarily concerned. A man might be the sole owner of a business; in case of his death there might be difficulty in carrying on or of finding a purchaser. Amalgamation by means of acquiring his business for, say, shares greatly facilitates the disposal of his interest therein. Possibly a man might be an owner or part owner and have no sons to succeed him, or may wish to partly retire and yet retain some interest in his old business. A man might decide that having built up a business by his own initiative and energy and by carefully conserving and capitalising his profits, that he had earned the right to enjoy the fruits of his success before too old, or a man might decide that at his age in life he ought not to have "all his eggs in one basket"; he wishes to realise some of the eggs. Amalgamation by buying him out in shares and cash makes this possible. These are some, by no means all, of the possible advantages that can accrue.

DISADVANTAGES.

I ought not to pass on without also mentioning some of the disadvantages that can arise. Not every business is suitable or capable of being successfully amalgamated with others, and unless the nature of the business is properly considered from all possible angles, amalgamation may mean only expense and inconvenience without any benefits. The beneficial effects of the personal element, either with customers or employees, is liable to become swamped or overridden in an amalgamation, and possibly the disappearance of an old name may be attended by damaging results to the business. The larger an amalgamation grows, the more unwieldy and unmanageable it often becomes, until real difficulties are met with and trouble ensues. It is possible for a business to be too big as too small for success.

Unsuspected difficulties may arise during the centralisation or decentralisation of works or factories. These should not be underestimated or minimised as they can crop up with the greatest of ease. Employees—and more particularly, perhaps, administrative staffs—are often likely to create difficulties. There will always be the type of individual who resents change, and will do everything in his power, perhaps passively or indirectly, to obstruct and interfere with the smooth carrying out of the amalgamation. They are, of course, not so much disadvantages as nuisances, but they must be watched for, and if possible prevented, in order that the amalgamation may be carried through with complete good will from top to bottom.

To pass on to the actual modes of amalgamation, of which I have already stated there are three—the complete Amalgamation, the Holding Company Scheme, and the Pooling Agreement—I want you to understand that I am only proposing to refer to these in a general manner and to give you certain views, and refer you to the more important matters.

THE COMPLETE AMALGAMATION.

Taking first the Complete Amalgamation. As the name indicates, this is a complete merging, in every sense, of two or more businesses with each other. It presupposes several things, for instance, (*a*) That the several parties, after considering the circumstances as a whole, are agreed that it is the form of merger which possesses the greatest advantages; (*b*) That a new company is to be formed to take over all the businesses amalgamating, with the consequent liquidation of each separate company; or (*c*) The expansion of one of the companies to take over the other businesses amalgamating, with the consequent liquidation of these companies. The question of whether a holding company scheme or a complete amalgamation is most preferable obviously depends on the circumstances surrounding the particular businesses desiring to amalgamate, and must be considered and decided upon the facts of each case. It is, of course, possible to amalgamate businesses by means of a complete amalgamation which may be under different kinds of ownership—individuals, firms, or limited companies—but as I am dealing only with amalgamation of companies I do not propose to refer to amalgamation of individuals or firms—in any case the circumstances underlying such amalgamations are in the main the same in each case.

One of the first questions that has to be decided is whether an entirely new company shall be formed and all the old companies wound up, or whether one of the companies shall be enlarged so as to absorb the other companies and only these latter wound up. Under normal circumstances probably the easiest and most economical arrangement is for one of the companies to be enlarged and take over the other business or businesses. If an entirely new company were to be formed stamp duty would have to be paid on the whole of that company's capital and also upon the purchase price of the assets of the other companies. On the other hand it might happen that the company selected to be enlarged had a balance of unissued authorised capital which would mean a saving of stamp duty at least to that extent, and there would also be saved stamp duty to the extent of its own capital and assets, as duties would only have to be paid upon any new capital required and upon the assets of the other companies taken over. Presumably also the legal and other expenses attendant upon the formation of an entirely new company would to some extent be saved, and there would also be the further saving of the cost of liquidation of that particular company. Sometimes, however, this course may not be desirable in spite of the evident economies, and in such event the only solution is the formation of a new company and the winding up of the old ones.

Whatever course is to be adopted, one of the first matters that will require to be determined is the basis upon which the amalgamation is to take place; in other words it becomes necessary to place a value upon the different businesses. This value is, of course, represented by the surplus of assets over liabilities. The liabilities do not as a rule create very much trouble, as they are usually matters of fact and can be accurately and usually readily ascertained. Such things as contingent liabilities and liabilities of a doubtful nature may require to be dealt with, but will probably be found to present no insuperable difficulty in treatment.

VALUATION OF THE ASSETS.

The valuation of the assets, however, is a matter about which opinion is certain to be very diverse, and it will be necessary to deal with these individually and revalue them as on the date proposed for the amalgamation, or such other date as may be agreed upon. Assets, of course, are of two kinds, tangible or intangible. The former are those which are obvious to the senses of sight and touch, the latter includes such things as rights or benefits not visible or capable of being handled but existent nevertheless. I refer, of course, to such items as goodwill, patents, copyrights, &c.

The tangible assets are subdivisible again into fixed assets, comprising land, buildings, plant, machinery, &c., and floating assets, such as stock, book debts, cash, &c. Assets like cash at bankers and in hand and investments in stocks and shares, especially those having Stock Exchange quotations, do not present any difficulty in valuation. Unquoted shares, of course, are in a somewhat different

category, as they may necessitate the separate valuation of an entirely separate and complete business. This would undoubtedly be the case if the holding constituted a majority holding of such shares carrying with it the control of what would in fact be a subsidiary of the company.

Book debts and stock-in-trade also are matters about which opinion cannot greatly vary, as the true value in such cases can fairly readily be ascertained. Difficulty may arise, however, in assessing the value of assets such as land and buildings, plant and machinery, as the opinion of experts may vary widely as to what the true value may be—and probably the most difficult task will be to value the intangible assets, particularly goodwill. I use the word "difficulty" here deliberately—not to suggest that the valuation of a thing is one requiring immense physical strength or mental concentration, but because there are so many factors which require to be taken into consideration —some conflicting, some aiding—and the problem has to be viewed from so many aspects in order that the result may be fair and just not only to the particular business under consideration but to the other businesses with whom the amalgamation is to take place, that a vast stock of patience in the sifting of the matter and an enormous amount of mental energy is consumed in arriving at a decision which will be represented in the end by two or three phrases on a sheet of paper and half-a-dozen or so figures representing £ s. d. As fellow accountants you will appreciate what I mean, and be fully cognisant of the difficulties and the effort that lies behind the short and seemingly simple wording of a valuation. Whether the owners of the amalgamating companies ever fully realise it is very problematical.

It is, of course, vital in any such scheme that the parties should consider and agree between themselves as to the general basis upon which their valuations are to be made; the details can then be arranged later. Naturally, valuations should be undertaken on the basis that the firms are "going concerns," and not upon a "piecemeal sale or break up" basis. For most cases the basis of valuation of one business is likely to be equally fair to the others amalgamating. For example, in the case of two manufacturing companies the works and plant of each could be valued by the same valuer on the same lines, and the same would apply to the valuation of the stocks in hand and work in progress. In all probability also the basis of valuation of goodwill would equally apply to both companies. On the other hand, however, it might arise in certain circumstances that what might be fair and equitable in the case of one company is totally unsuited to the other owing to the different nature of the businesses. This will readily be seen when one considers that amalgamations are not always complementary but occasionally supplementary, as for example when two businesses, one a producing and the other a merchanting or selling business, amalgamate. The conditions prevailing in the two businesses are so obviously different that the same basis of valuation is probably, but not necessarily, inequitable to one or the other.

The value of a company should, however, not only be considered by reference to the assets, but to its earning power. Some assets have, of course, an intrinsic value in themselves; others have a value which would be approximately the same in any class of trade and would always command a fair price; but the bulk of assets only have any value as such as long as they are, or are expected to be, income producing. For example, certain stocks which can be used in other businesses will always command a fair price; so also such items as motor vehicles, which can be used in many other businesses for many other purposes. Some assets may be revenue producing assets but are only suitable for a particular type of business, and if that particular business is not carried on their value by comparison may be much diminished. It follows from these examples that each case must be considered upon its own merits. Consideration must be given, naturally, to the individual assets, but the whole of the business must be regarded in conjunction therewith in order to determine whether the individual valuation of the assets in total is justified by the earning capacity of the company.

THE QUESTION OF DATES AND TIME.

Now, when the basis of the valuation of the companies has been agreed upon between the amalgamating concerns, it becomes necessary for the parties to agree upon two further matters, viz, the date or dates as at which the valuations are to be made and the date as from which the companies are to be amalgamated. These two dates need not be the same. In fact, I would suggest that it is extremely undesirable that any attempt should be made to make them coincide. The difficulties of attending to the merging of the several parties coincident with valuations having to proceed must be so obvious that nobody in their right senses would consider it a feasible proposition. The valuation date or dates must equally obviously be earlier than the amalgamation date, as after the latter the separate identities of the companies will disappear, and a valuation of each be well nigh impossible. It is as well in all such matters as these that there should always be ample time in which to get things done—it is always better to have time in hand than to be short. The amalgamating parties may not realise this at first. They think perhaps of their ordinary stocktakings varying from a fortnight to a month, and think that if they allow about the same time it should be ample, and they are also probably eager to hurry on the amalgamation (having made up their minds to it) in order to reap the benefits which are expected to accrue at the earliest possible moment. They may be inclined to forget for these reasons that what is taking place is something rather more exacting and difficult than an ordinary stocktaking. Not only have *all* assets to be valued, but their value has to be tested in various manners—adjusted, altered, corrected—and then compared with the other valuations in order to ensure fairness on all sides. The necessary work of the formation of the new company or the expansion of one of the companies has all to be put in hand and dealt with, and full and proper consideration given to all manner of points connected therewith—legal, financial, accountancy, and managerial. For example, Memorandum and Articles of Association will require to be drafted or brought up to date, and arrangements as to the issue of new capital will probably require to be made, and no doubt a fair number of meetings of the several parties will be required to discuss and settle all manner of points before the amalgamation scheme can be said to be really complete and ready for putting into action. Those of you who have ever had to assist in an amalgamation or the introduction of any new scheme or formation of a company, will appreciate that one cannot have too much time at one's disposal—generally speaking I would suggest that six months is not any too long in which to prepare the way. Whatever date or dates is chosen as the date for valuation, the value of the assets can always be adjusted to the value as on the date fixed for the amalgamation to actually come into force, by means of an agreed formula or percentage addition or other adjustment.

THE DIRECTION OF AMALGAMATION MATTERS.

There is a matter in connection with amalgamation of any type which I consider to be very important and to which consideration should be given at the earliest possible

moment, and that is the need for some person or firm to be entrusted with the work of carrying through the amalgamation and acting, shall I say, as a kind of "director-in-chief of amalgamation matters." The boards of the several companies are obviously unsuited to do this. In the first place they are interested parties, and secondly while they may be eminently successful in their own businesses they are probably not competent to deal with what are really professional matters. The joint boards or their representatives, or a committee of the several boards, are of course essential in order to agree and settle the policy of the proposed amalgamation and the basis of valuation, but they should then entrust the work of bringing about the amalgamation to an independent firm or person, who would in turn co-ordinate and direct all the detail work which would become necessary by valuers, legal and financial experts, &c. I am, of course, here only referring to the outside part of the amalgamation, and not to the internal or physical part of the merger. Such matters are best left to the proposed new board, who will appoint their own, presumably whole time, technical and secretarial managers and experts, either from existing staffs or by the introduction of new blood, as may be found desirable. Without intending any disrespect to any of the other professions who may be required in connection with an amalgamation, or showing bias towards my own, I venture to submit that the individual best suited by training, qualifications, and wide business experience, to carry through such a matter is either an Incorporated or Chartered Accountant.

MODE OF PAYMENT.

Probably at the time when the terms of the amalgamation are being considered, *i.e.*, the basis upon which the companies are to be valued, there will have been discussed and considered the question as to the mode of payment for the amalgamated companies. This can take place in three ways: either wholly in cash; or wholly in shares of either (*a*) the new company that is to be formed, or (*b*) the company that is to be expanded; or partly in cash and partly in shares. The factors that will govern this matter will vary with each company, and can only be considered as and when they arise. As, however, the mode of payment is a matter of the utmost importance which may affect the settlement of the basis of the valuations, it should be discussed early in the negotiations, I will explain why.

If payment for a company's assets is to be made entirely in cash it is essential that the valuation of that company's assets should be very accurate, as the purchasing company should get full and proper value for its money seeing it is to utilise those assets, while the vending company ought to get what is a proper and reasonable price for its assets as subsequently it will have no interest therein or the earnings thereof. On the other hand, if payment is to be made in shares, then extreme accuracy of valuation is not so important provided that the relative values of the several companies are maintained. To give you a simple illustration: take two businesses of value, say, £60,000 and £40,000 respectively. Obviously it would be inequitable to the larger if £44,000 had to be paid for the smaller, and equally as unfair to the smaller if it was only to receive £36,000 for its business; but if payment were to be made to both in shares, then it does not matter whether the larger one gets 60,000 £1 shares, and the smaller one 40,000 £1 shares, or whether the larger only gets 30,000 £1 shares if the smaller one at the same time only gets 20,000 £1 shares, as the *relative* interests in both assets and future profits remain unaltered. This, of course, is a somewhat extreme case but it serves to illustrate the point, which is one that might be borne in mind in such cases, as it would enable valuations to be kept somewhat on the conservative side in order to not injure the purchaser. Correspondingly however the relative value basis of valuation is not one which should be entirely relied upon as the maintenance of the holdings of shares is not likely to be constant—particularly if the amalgamated company has been publicly floated—and an original vendor of shares might conceivably lose some of his real value when selling, particularly if this were to happen fairly soon after the amalgamation.

I have referred previously to the agreement between the interested parties as to the basis upon which valuations should be made. This agreement could, of course, take two forms: one under which the parties would definitely bind themselves to accept the total of the valuations as subsequently made upon the agreed basis and proceed with the amalgamation, and the other whereby they would agree upon the basis but would leave to themselves the freedom of accepting or rejecting the relative valuations when made.

ESSENTIAL CONDITIONS.

One essential to any amalgamation as to any partnership, is that the parties proposing to merge their interests must be prepared, in negotiations and subsequently, to exhibit in their actions and their views a spirit of broad-mindedness, compromise, and an appreciation of and consideration for the views and reasonable requirements of each other. In other words there must be a certain amount of "give and take," and parties must not approach the matter with the idea of sticking out for the last farthing of value to which they think themselves entitled. If they do, the chances of a successful amalgamation taking place are somewhat remote.

THE AGREEMENT AND OTHER CONSIDERATIONS.

Now as far as we have proceeded at present we may assume that the terms of the amalgamation have been agreed upon—the mode of payment and the basis of valuation. It has also been settled in what form the merger shall take place, the date of valuation and the actual date of merger. In the agreement there should also be added clauses creating certain restrictions upon the parties pending the amalgamation being put through. For instance, it may be highly desirable to preserve secrecy until the matter has reached a final stage, and some such clause might be inserted binding the parties accordingly. Furthermore, it may be desirable to stipulate that none of the companies shall do certain things which might upset the basis of valuation agreed upon, *e.g.*, increase the capital or issue debentures, make any distribution of assets or pay dividends in excess of an agreed figure, increase directors' or employees' remuneration without special approval, or increase the directorate, or alter in any way the usual manner of doing business without the consent of the other parties.

Due consideration should be given to the question of staffs. While a merger may lead to the services of certain administrative officials being no longer required, it may impose added responsibility upon others. It may, and probably will, occur in some cases that the past success of a company may be due very largely to the services rendered by one or more men in certain positions. Great care should be taken to ensure that if such men are to be retained proper arrangements or understandings should be come to with them regarding their future responsibilities, duties and remuneration before the terms of the amalgamation are finally agreed. Alternatively, if the services of such men are to be retained no longer and they are to be retired and compensated by pensions or lump sum pay-

ments, or if the vendors of the business do not remain with the amalgamation, stipulations regarding engaging in any competitive business for a period should certainly be made. A point worthy of consideration here arises in connection with the valuation of goodwill. Goodwill is, as a rule, valued upon the basis of the financial results of a business over a number of years. If, therefore, these results have to a substantial extent been the results of the efforts of such men, and they are likely to leave the company or require to be more highly remunerated to remain, then the value of the goodwill should be reconsidered with a view to its possible reduction. I have not up to the present—nor do I propose to do—detailed the manner of valuation of goodwill, but having just mentioned one point to which attention might be directed when considering the value of this asset, I think I might also mention another point which is liable to be overlooked. Where a company has possibly by reason of early purchase or by the process of writing down over a long period of years, so reduced its fixed assets in its books to a more or less nominal amount, it should be remembered that the depreciation which it will be necessary to write off from the proper value of these same assets after amalgamation will materially reduce the profits that would otherwise be shown had not the larger amount of depreciation to be written off. Obviously, if the value of goodwill is being based upon this very figure of profits, this fact of increased depreciation must be duly taken into account.

We can now I think pass on to the actual taking place of the amalgamation. The necessary legal conveyances and transfers from the vending companies to the purchasing company will already have been drawn up, and will require to be signed at the time of the settlement, that is to say, when the purchase price, be it in cash or shares or both, is paid over. All those assets which can pass by delivery do not, of course, incur any stamp duties, but land, buildings, book debts, and goodwill will occasion the payment of duty at the rate of 1 per cent. on the assets. Transfers of stocks and shares will, of course, be made in the usual manner by means of a transfer duly impressed with the appropriate duty. Stamp duties can be saved upon book debts or other floating assets up to an amount equal to the liabilities if these are excepted from the sale and used by the vending company to discharge such liabilities. If the purchasing company is a new one, then, of course, the expenses of formation, including capital duty, will be discharged by it. If an existing company is to expand its capital, this again will entail the payment of capital duty upon the new capital created. The ratio in which any or all of the expenses consequent upon the amalgamation is to be borne by the several parties is a matter for mutual arrangement between them and should already be part of the terms of the agreement to amalgamate.

As soon as the consideration for any business has been paid over or agreed to be paid over, and the date upon which it is agreed the amalgamation shall become effective has arrived, the several businesses can henceforth be regarded as one, and there will be no need to keep separate and distinct the assets or any part of the businesses or staffs.

When all these conveyances and transfers have been signed and the purchase price paid over to the vendors, the amalgamation is complete. So it is—from the financial, legal and accountancy point of view. Actually, of course, from the purely business point of view it has only just commenced, and the real work of dovetailing the several businesses satisfactorily in order to reap the anticipated benefits has to commence. This is undoubtedly a matter which cannot and should not be hurried. The new board of directors should proceed slowly, making themselves conversant with those circumstances of the businesses of which they previously did not know, and weighing and judging the chief employees carefully before proceeding with any scheme of reducing staffs. Over-eagerness to obtain benefits and economies may result in steps being taken or staff dismissed which subsequently may be found to have been unnecessary, and this may have the effect of creating an "uneasy" team of workers or or damaging the goodwill of the business.

AN EXAMPLE OF THE KIND OF ADVANTAGES.

This might be a convenient place to refer to the advantages of this form of amalgamation before passing on to deal with the others. I cannot do better in this connection than read you an extract from the *Manchester Guardian* of November 13th, 1929, giving a report of shareholders' meetings in connection with the recent amalgamation of Messrs. Bolckow, Vaughan & Co., Limited, and Messrs. Dorman, Long & Co., Limited, as it is an excellent example of the type of benefits that can be obtained by the amalgamation of two firms which are closely parallel to one another in their business. Both firms controlled the full range of the raw materials of steel production, and were in close competition with each other. The report of the meeting goes on as follows :—

> "Obviously, there was duplication both in equipment and in organisation, and as long as the producing units of the two concerns were in separate ownership such duplication would continue. To show one of the economies that would result, an expensive part of the equipment of a rolling mill was the stock of rolls which must be kept so that steel sections of a variety of sizes might be supplied. To maintain a reasonable commercial range of these sections for one mill meant a permanent investment of some £50,000 or£60,000, or twice that for two competing mills; under amalgamation it was possible to roll certain sections in one mill and certain sections in another, thereby reducing the variety of rolls kept at each mill. Working economy was also effected, as greater tonnages of a certain section passed through one mill, causing fewer changes of rolls, and greater efficiency was developed by the men operating the mills.
>
> "In the effort to obtain adequate and regular supplies of raw materials most iron and steel concerns of any magnitude had acquired, either directly or indirectly, control of the coal and ore they needed. Under amalgamation it was possible to pool these materials so as to assure supplies of materials at the lowest cost. Instead of running two ironstone mines at 5,000 tons per week it was possible to run one at 10,000 tons per week, keeping the other in reserve, the saving being in the order of 1s. per ton of stone or 3s. per ton of pig iron at the least. Then there were technical problems, such as economy in the use of fuel. By blowing a certain number of furnaces in one group of works it was possible to eliminate the use of coal in reheating furnaces and soaking pits and to reduce the amount of coal required to feed steel melting plant. Consequently the make of pig iron would be concentrated in those works where it would be produced most cheaply and where greatest use might be made of the surplus blast furnace gas.
>
> "To bring the amalgamation into being they were asked to agree to certain proposals. These proposals were the result of an investigation of the capital values of the two companies by an independent and competent authority who assessed the comparative assets and liabilities of the two companies on precisely similar lines. The value established was the result of close detailed scrutiny of the accounts of both com-

panies over a long term of years, and the ratios are approved not only by the boards of both companies, but also the bankers of both companies."

THE HOLDING COMPANY SCHEME.

We can now pass on to the second form of amalgamation —that usually referred to as a holding company scheme. This method does not result as in the former method in the businesses as such being merged ; it provides only that the interests and policies of the several parties shall be co-ordinated and controlled so as to extract the maximum amount of benefit from their co-operation. This is obtained by the putting of the ownership or effective control of each business under one unified control, and thereby making the interests of each business identical or mainly so. It implies the pooling of information, knowledge and brain power, and secures very largely the same results as accrues from a complete amalgamation. In many respects it has advantages over the latter, which often make it the more desirable and popular form of merger.

Such a merger can be brought about in several ways. It is quite feasible for a single individual to acquire a controlling interest in two or more companies and in his own person act the part of a holding scheme. It is equally feasible for a syndicate or private firm to do likewise, but in most cases the controlling medium takes the form of a limited company, and it is this latter form particularly with which we are concerned.

THE MATTER OF EXPENSE.

As in a complete amalgamation, the first factor which requires decision is whether a new holding company is to be formed, or whether a company already formed shall be expanded which shall acquire the whole of, or a controlling interest in, the shares of the other company or companies—either for cash or for "holding company shares," or for both. Naturally the decision of this question depends upon the circumstances of the particular case. As in the case of a complete amalgamation, there would be an obvious economy in the expenses incidental to the scheme if this latter course were adopted, for with the formation of a new holding company stamp duty, &c., would be payable upon the whole of the capital of that company, and transfer duty would also be payable upon the transfer of the shares of the other companies, whereas if one of the companies were to be expanded there would be saved not only the transfer duty upon that company's shares, but capital duties upon an amount equivalent to that particular company's value expressed in share capital.

On the face of it one would be tempted to say that this was the obvious course to pursue, but I repeat, it depends upon the circumstances of each case and in many instances the disadvantages and objections to such a course would not be compensated for by the saving effected. It is equally true in such matters, as in many instances of buying goods and services, that the smallest outlay in cash does not always mean the cheapest purchase. Economy in expense does not consist of spending little money, but of spending it wisely, and if the benefits of merger are such as are likely to be substantial then it will probably prove very cheap in the end for the interested parties to take a broad and far-sighted view in the matter of expense in order to bring about the desired result.

Just as in a complete amalgamation, I would also urge the necessity for the interested parties to appoint one individual or firm to direct and control the external details incidental to a merger. The same arguments which I advanced in the course of my remarks upon complete amalgamation are equally applicable to the case of a holding company scheme. The parties themselves cannot carry out the detail work ; this must be entrusted to some individual or firm who will co-ordinate and direct the necessary work—legal, financial and accountancy—leading up to the bringing into being of the complete scheme. In this matter, as also in the complete amalgamation scheme, ample time for all the work to be performed is an absolute necessity. Valuations will also be needed, but with this difference, that whereas the valuations in the case of the complete amalgamation are directed to ascertaining the value of the assets solely for the purpose of their purchase as such, in the case of a holding company scheme the valuation of the individual assets is only a means to an end—the subsequent valuation of that company's shares—as it is shares, and not assets, that are to be bought by the holding company.

DIFFERING VIEWS UPON AMALGAMATION.

An agreement will, of course, also be necessary with similar kinds of provisions and stipulations, and my remarks about the wisdom of the interested parties approaching the scheme in a broad-minded "give-and-take" spirit are equally applicable. I do not wish to stress this point unduly, but I think you will all agree with me that it is one of prime importance. The average business man's views about amalgamation are such that as a rule one has little difficulty in classifying him in one of three classes. There is the man to whom amalgamation or merger is of no use ; his business is such and such and nobody can teach him anything that he does not know, and he is not going to have any other weak business tacked on to him and share in his profits, &c. Then there is the man, somewhat rarer, to whom amalgamation or merger is going to be the salvation and solution of all his troubles, woes, difficulties, and meagre profits (if not indeed losses)—for him amalgamation will mean roses, roses all the way thereafter. Then there is the third class, largely in the majority, I believe, who have not thought particularly about it, or if they have, have kept an open mind upon the matter, and who, if approached, are willing to look into it in a sane and reasonable manner, realising that there are both advantages and disadvantages—that amalgamations are not always desirable—that occasionally they succeed beyond expectation—and willing and prepared to examine the circumstances and, if need be, proceed with the experiment.

The first type of man is often of a domineering and autocratic nature. Possibly he has built the business by his own efforts in his own manner, and he is used to having the first and last word in his own affairs. He is likely to overlook the fact that others have done the same kind of thing, perhaps even more effectively and successfully, and possibly even though his competitors do not show the same kind of enterprise, he forgets that he might usefully learn ; he underestimates the fact that two heads are often better than one. It is admittedly somewhat difficult for such a man to go into an amalgamation without attempting to impose his ideas and his will upon the amalgamation—I am referring of course to a scheme which is a joint affair and not a one-man show—but if he has become convinced of the merits of amalgamation he will probably begin to realise the value of "the other man's point of view" and that there may be something in it after all.

The second type of man to whom amalgamation is a pair of rose-coloured spectacles is really in need of saving from himself. He will probably rush in where angels justly fear to tread, and if he does not stub his toe or come an awful cropper it will be because there seems to be a special kind of providence which looks after such as him. If you have a client like this, look after him specially well ; advise him extremely carefully because he really needs a nurse,

and then see that he pays you on generous lines because of the added responsibility you have.

I do not think I need detail all the characteristics of the third type of man. He is, shall I say, just the average normal business man, and will be inclined to consider amalgamation solely on its merits, realising that he can both learn and probably teach, and if convinced that the amalgamation is conceived on sound lines, glad of the chance to improve and strengthen his own position. He is usually ready to enter into the matter in a proper spirit of give and take, conscious that "the other fellow" has to live as well, and realising that that is the only method of ensuring equitable treatment for all concerned.

The Control Exercised by a Holding Company.

Now, it will be appreciated that when a holding company owns a controlling interest in other companies, it is able so to arrange matters as to divert business or profits from one to another as it may please, the object being the general interest of the businesses together. There can be no possible objection from anyone if the holding company's control consists of the whole of the share capital, but if this is not the case and the control is only a majority one, it is incumbent upon the holding company, in order to adequately fulfil its obligations and responsibilities to the other shareholders in the subsidiary, that it does no action which would be prejudicial to the interests of those outside shareholders either as regards profits or the security of their capital. This leads me to refer to the manner in which the control by a holding company of its subsidiary and the co-ordination of its policy is usually made effective. It is to be remembered that the subsidiary company will have a separate entity—its own organisation, board of directors, manager, secretary and accountants, &c., appointed as regards the three last-named by the directors, who are themselves appointed by the general body of shareholders having voting rights. The holding company itself is in a similar position. Now, if the holding company has a majority of the voting control by reason of its holding of the subsidiary company's shares, whether that be an actual preponderance of all the shares or not, then it will be able to impose its will by means of the appointments to the subsidiary's board and consequently the appointment of the other officials. In practice, of course, it is not worked quite on these lines. Usually one or more of the subsidiary's directors are members of the holding company's board, or *vice versa*, and will therefore be in a first-hand position as regards the discussion and settlement of the policy. Occasionally also there will be held a sort of joint meeting of the boards of the companies for this same purpose; whatever the exact method, the principle adopted is usually that of a direct link by means of the directors.

You will realise that this method of merger can have endless ramifications, and that shares can and often are held "two, three, or four deep." To give you an example of this and how the linking up is worked, let me refer you to the specimen you have before you, which is based upon, and very similar to, a case of which I know.

[*The Lecturer submitted a chart showing how a holding company might control a large number of subsidiaries.*]

Although this is a hypothetical case you probably know as well as I do that it is not at all impossible, and that there must be many holding companies in this country where the same sort of control prevails. I do not say that it ought not to be so. I do not very well see how it can be avoided, or that there is anything inherently wrong in the system at all, but I do say that it is of the utmost importance to the general public and to the nation as a whole that those who by such means legitimately acquire enormous and disproportionate control and power, should be men of the very highest calibre who will realise that they are in effect only trustees for the public, and who will use their control and power not to serve their own ends solely, but properly, fairly and justly, in order that the public as a whole may ultimately benefit as well, directly—whether they be shareholders, employees, customers or consumers—or indirectly through the improvement of conditions and an increased national prosperity due to the existence of well-conducted, efficient and prosperous concerns.

The Pooling Agreement.

The third method is amalgamation by means of a pooling agreement. I include this in my subject although it can hardly be said to be an amalgamation within the proper meaning of the word. It is more a merger of interests taking a particular and rather limited form. In brief, by means of a pooling agreement entered into by two or more businesses, the future profits are for a term of years first paid into a common fund—the pool—and then divided out in the proportions already agreed upon and defined in the agreement.

It will be noted that here is no "blending of different things." The several parties maintain their autonomy and freedom of action subject only to the fact that success must not be secured at the expense of any of the other parties. Each business while doing its utmost to expand is concerned that the others should prosper, and this view influences the course of action of those responsible for the direction of each business. This would obviously be influenced by two factors, firstly that in expanding its own business a company would directly benefit itself, and secondly by assisting in the expansion of the other business it would also ultimately benefit by an increase in their profits which would be similarly divisible. The benefits of co-operation under such an agreement may be considerable, but they obviously cannot be as great as the benefits that might accrue under a scheme of complete amalgamation, or even under a holding company scheme.

The special advantages which a scheme of this character possesses over the other two methods are:

1.—It is probably the least expensive of the methods.

2.—There is the least disturbance initially.

3.—It is possible to maintain more secrecy about the matter if that were desirable.

4.—The merger is not irrevocable, *i.e.*, at the end of the agreement the original individual status of each company can be resumed or the agreement can be renewed with or without variations.

5.—It can form the basis, out of the experience and knowledge gained, of a complete amalgamation or merger under a holding company scheme at some later stage.

Assuming therefore that a pooling agreement has been decided upon by several businesses, the first matter that requires to be considered is the basis on which the pooled profits are ultimately to be divided. The basis usually adopted is that of the profits of each business for a past period of years. This period need not necessarily be the same in each case, but should be selected with the object of constituting a kind of standard of earning for each company. All of the profits, however, should obviously be computed in the same way by each company in order to determine this standard, and equally obviously should be so computed in the future so as to determine the amount to be paid into the pool. The agreement would usually provide for the profits, both for the standard period and for each year covered by the agreement to be examined

and certified by one or more professional accountants. When there are only two members of the pool a joint inspection by the auditors of each party would probably be found to be the most convenient, but if the number is more, probably the best method would be for each party to have its figures prepared by its own auditors and then all the figures checked by an independent firm of accountants who would then give the necessary certificates.

As the interpretation of "profits" varies very greatly it will be appreciated that uniformity of computation is an absolute essential to the fair and honest working of the pool, and though the exact detail treatment must, of course, be left to the accountants who are to certify, it is highly important in the drawing of the pooling agreement that the method by which "profits" are to be determined shall be clearly defined as far as possible, bearing in mind that what is required is not necessarily absolute similarity of treatment but relative similarity of treatment in a manner that is fair and just not only to the other parties of the agreement but to the individual concern.

I do not propose to go into any further detail regarding pooling agreements. It will be apparent to you all that no hard or fast rules can be laid down for observance in such cases, as the circumstances of no two pooling agreements can be identical, and the details of each must be worked out to suit the particular merger of interests that is under consideration.

In dealing with the subject of amalgamation I have not been able to do more than briefly refer to the valuation of companies for this purpose. My object has been more to give you a general idea of the subject rather than enter into a lengthy and intricate exposition of the mode of assessing a company's value. This is of course a highly important feature in any amalgamation, and I only refer to it again as I do not wish you to have the impression that it is a mere incidental. It is a subject to which one could easily devote a further evening to going over the points and features connected therewith, and therefore I have purposely refrained from extending this meeting beyond the usual limits of time.

Dublin Incorporated Accountants' Students' Society.

A joint debate between the Dublin Incorporated Accountants' Students' Society and the student members of the Dublin Society of Chartered Accountants was held at Jury's Hotel on February 13th, the subject being "That the Duties Imposed by Statute on Accountants and Auditors are unduly Onerous." The motion, which was proposed by Mr. J. D. Woods, seconded by Mr. E. M. Forde, and opposed by Mr. H. H. Forsythe and Mr. W. S. Cunningham, was lost on a show of hands, after a very lively discussion.

A large attendance included Mr. R. J. Kidney, F.S.A.A. (Chairman), Mr. A. H. Walkey, F.S.A.A., Mr. G. Hill Tulloch, F.C.A., Mr. A. J. Walkey, F.S.A.A., Mr. E. Crawford, A.C.A., Mr. E. J. Shott, F.C.A., Mr. E. O'Carroll, F.C.A., Mr. C. J. Dalton, A.S.A.A., Mr. D. C. Telford, A.C.A., Mr. W. Edmiston Crawford, A.C.A. (Secretary, Dublin Society of Chartered Accountants), and Mr. J. G. Dowling, A.S.A.A. (Hon. Secretary, Dublin Incorporated Accountants' Students' Society).

Liverpool and District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the Liverpool Society of Incorporated Accountants was held in the Adelphi Hotel, Liverpool, on January 30th. Mr. CHARLES MENLOVE DOLBY, F.S.A.A., President of the Liverpool Society, was in the chair, and the guests included the Lord Mayor of Liverpool (Mr. Lawrence D. Holt, J.P.), Mr. Henry Morgan, F.S.A.A. (President, Society of Incorporated Accountants and Auditors); Lt.-Col. A. Buckley, J.P., D.S.O. (Chairman, Liverpool Chamber of Commerce); Mr. Stuart Deacon, J.P. (Stipendiary Magistrate); Mr. E. D. Symond (Registrar, County Court); Mr. R. W. Lowden (Registrar, Chancery of County Palatine of Lancaster); Mr. L. P. Meredith (President, Liverpool Institute of Bankers); Mr. J. Allcorn (Official Receiver); Mr. L. S. Holmes (Vice-President, Incorporated Law Society of Liverpool); Major E. G. Finch, T.D. (Solicitor, Mersey Docks and Harbour Board); Mr. L. C. Bailey (Chairman, Liverpool Stock Exchange); Mr. Alfred Collins (President, Liverpool Provision Trade Association); Mr. Henry van Gruisen (President, Liverpool Fruit Brokers' Association); Mr. S. R. Harmer (General Manager, Midland Bank Limited); Mr. A. F. Shawyer (General Manager, Martin's Bank Limited); Mr. G. Walker (General Manager, District Bank Limited); Mr. A. D. Holbert (President, The Insurance Institute of Liverpool); Mr. Alex. Slater, Jun. (Vice-President, Liverpool Corn Trade Association); Mr. J. Gregory (H.M. Inspector of Taxes); Mr. A. E. Hepworth (H.M. Inspector of Taxes); Mr. T. K. Moulsdale, F.C.I.S. (Chairman, Liverpool Society, Chartered Institute of Secretaries); Mr. Percy Corkhill; Mr. H. Russell Edwards (Secretary, Auctioneers' and Estate Agents' Institute of Liverpool); Mr. Thomas Keens, F.S.A.A.; Mr. W. S. Wicks (Treasurer, Liverpool Chartered Accountants Students' Association); Mr. E. E. Edwards, B.A., LL.B.; Mr. James Hulme, F.S.A.A. (President, Manchester Society of Incorporated Accountants); Mr. A. E. Piggott, F.S.A.A. (Hon. Secretary, Manchester Society of Incorporated Accountants); Mr. Percy Toothill, F.S.A.A. (President, Sheffield and District Society of Incorporated Accountants); and Mr. Alex. Hannah, F.S.A.A. (Hon. Secretary, Liverpool Society of Incorporated Accountants).

The loyal toast having been honoured,

The PRESIDENT (Mr. C. M. Dolby) proposed "The Lord Mayor and City of Liverpool." He said that as an Incorporated Accountant he might be expected to unfold to their eyes an unending vista of statistics. Statistics, however, were apt to be misleading. (Laughter.) Then, again, statistics only dealt with the past, whereas his toast related to the future. He could quote figures indisputably demonstrating what a great city Liverpool was, and from what small beginnings it had sprung, but unfortunately—he did not say that there were any there that evening—there were about the city some people of a more pessimistic turn of mind who were going about disseminating the gospel that it was a decaying city. In order to dispel these rumours he would refer to the statement in December by the then Chairman of the Mersey Docks and Harbour Board—that great institution of which they in Liverpool were all justifiably proud—in which he said that since August last there had been a distinct upward trend in the trade of the port. (Hear, hear.) There was nearing completion that great scheme,

the Mersey Tunnel, which would directly connect the two sides of the Mersey. The Mersey Docks and Harbour Board had just promulgated a scheme for the expenditure of two millions of money on Merseyside. Were they, in the light of all those facts, to listen to pessimistic utterances which had been recently made, as against the well-balanced judgment of the members of the Dock Board? Liverpool was blessed with a City Council composed of public-spirited men, and the municipality had earned for itself the reputation of being one of the most progressive in the country. He therefore thought they could dismiss, as the vapourings of irresponsible people, the pessimistic utterances to which he had just referred. (Hear, hear.) He would, however, like to offer a word of warning. Liverpool could not depend for her future on her achievements in the past; neither individually not collectively could they rest on their oars. The city was built by pioneers, by men who knew and appreciated what hard work would do, and believed in doing it and not in leaving it to others. It was to a return of that irrepressible and indomitable spirit that he looked for a revival of their old-time prosperity, for the advent of which they could safely look to the future. The Lord Mayor had referred on previous occasions to rationalisation. To his (Mr. Dolby's) mind there was a great danger in the way that word "rationalisation" was being bandied about. He suggested that there appeared to be prevalent an impression that in order to revive the stricken industries of the country all that was necessary to-day was to wave a magic wand and at the same time murmur the word "rationalisation." (Laughter and hear, hear.) Let them not make any mistake: rationalisation or no rationalisation, no city, not even Liverpool, could hope to progress or advance without unremitting toil and perseverance. Rationalisation, without super-efficient control and the most rigid economy, might prove a greater evil than individualism, with all its personality and will-power and the unquenchable spirit to get on. Liverpool was a great city and they were proud of it. What they had to do to make it even greater was to cut away the rotten wood, the get-rich-quick, and the speculative habits which seemed to have become a part of their commercial life, and devote themselves to genuine hard work—unremitting toil and perseverance. (Hear, hear.)

The LORD MAYOR, in replying, congratulated Mr. Dolby on the subject matter of his speech, in which he heartily concurred. The city of Liverpool, from the point of view of trade and commerce, was still a great city possessing a great reputation. Incidentally it would interest them to know that he had received invitations from the President of the Senate of Hamburg and from the Mayor and Aldermen of the city of Amsterdam to visit those two cities. He proposed to accept those invitations and to invite those gentlemen back in return to Liverpool. The fame of Liverpool was well maintained in the great maritime cities of the west of Europe. He intended in his remarks to touch rather upon that side of the interests of accountants which affected the city of Liverpool. The municipality of Liverpool, like all municipalities in the country, was engaged in gigantic enterprises and rapidly becoming one of the greatest industrial organisations in the large area around them. They had recently embarked upon many new services. He enumerated the construction and maintenance of the immense housing estate; the construction and management of a monumental tunnel under the Mersey, a great development in the public health and hospital services of the community; the provision and management of new abattoirs at great cost, and the possibility of an aerodrome and of a stadium, not to mention the great edifice of public education; and the revision of the whole principle and practice of local taxation. That surely was a vista to stagger the stoutest of super-rationalists that ever existed. It all pointed to the need of very simple qualities and very simple human organisations. One was that of an adequate municipal civic service. In that he in no way depreciated that which existed already. They acknowledged with gratitude the work of the existing service, but they sincerely desired that their municipal services should go from strength to strength, on the model of the great national Civil Service of the country. They needed supplementing and assisting by that great art and craft to which his hearers belonged. The craft of accountancy was something about which he knew nothing whatever, having been educated in a school where the humanities were taught—(laughter)—and in after life having contented himself with a continuance of those studies, added to humanity itself. What they had to work out was a machinery of government which, between the elected representatives of the ratepayers—that was of the people—a first-class municipal civil service, and a profession such as theirs, would secure, firstly, the necessary opportunity for the elected representatives to deal effectively and intelligently with public affairs. That was a very vital necessity and one which must be present to all who had contact with public administration. Secondly, they needed to devise the necessary safeguards for the economical and honest administration of public business, and what was perhaps even more important, because it was the foundation of that, the simple and trustworthy presentation of the complicated details of the public balance-sheet to the public, so that they might understand what they were doing. That, he ventured to say, was a necessity for their continued success. It was the duty of men like his hearers to help to achieve those purposes—to formulate ideals and practices which might lead to that result. With regard to rationalisation as applied to business, there was a great deal said about it by some people, but he would not speak of it—although he was sorely tempted to do so—(laughter)—beyond saying that in regard to business and commerce generally, as well as in municipal enterprise, the same prime necessity existed of morality being re-introduced into those matters. "The old morality is good enough," added his Lordship, "but if we cannot resurrect that we must invent a new one which is equally good." (Hear, hear.)

Lieut.-Colonel ALBERT BUCKLEY, J.P., D.S.O. (Chairman of the Liverpool Chamber of Commerce), who also responded to the toast, said they were all very pleased when the Corporation of Liverpool decided to offer the Lord Mayoralty to Mr. Lawrence Holt. It was an office full of dignity and influence, and a fitting reward for Mr. Holt's civic services, which had extended over so many years. They welcomed it the more because they knew Mr. Holt's influence was always in the direction of anything good for Liverpool. His family had shown its faith in the city and had consistently refused to go to London. Trade was bad in Liverpool to-day, although he need hardly say anything to prove that to his hearers, whose business was based upon the process of analysis. He need not, either, say anything to them about all the causes which had contributed to the wave of bad trade. He confirmed what the President had said, that the city was suffering from the depression. Liverpool was essentially a market town. It had been their business in the past to search the world for raw materials which the manufacturers needed, and their duty to export and sell abroad the products of their manufacturers. There was a tendency nowadays to eliminate the middle-man. The result was seen in the city when one met people who said the big

combines were pushing them out of business. They were suffering, too, from the control of their business by people whose only business was finance, and who were not interested in actual industry or manufacture. He would like to think that there was more required in business to-day than the mere application of the science of money and prices. (Hear, hear.) Were not they all, he asked, just a bit too pessimistic? The whole outlook had been very much darker than it was to-day. He admitted that it was not easy to find anything to put on the credit side, but there were certain factors in the situation which it was just as well not to lose sight of. Industry had absorbed nearly 300,000 more persons than it employed at the same time last year. People, too, were saving money, as evidenced by the amount invested in the National Savings Certificates. Over and above that, the banks had developed their home safe business, which must have cut very largely into the moneys which people formerly used to put into the National Savings Certificates. This trade depression meant that we were going through a phase; it was an unpleasant phase, but after all it would pass. "We refuse to believe," he concluded, "that the day of this country is over. I do not believe that, and I think before very long we shall see a return of prosperity." (Hear, hear.)

Mr. STUART DEACON (Stipendiary Magistrate) submitted "The Society of Incorporated Accountants and Auditors." He recognised at once, he said, that it was not necessary that he should make a speech, for two very obvious reasons. The first was that the subject of the toast spoke for itself, and the second was that the shorter the "sentences" the more everybody would enjoy them. (Laughter.) The fact that he was told off for that toast gave him a very great personal gratification because the only affidavit that ever he made in his life in litigation was made on behalf of that Society. (Laughter and hear, hear.) A number of years ago when he occupied a position at the Bar he was approached by an old friend of theirs and his (Mr. C. Hewetson Nelson) to know if he would make an affidavit saying what he knew about the status of the Society of Incorporated Accountants and Auditors, and if he would vouch for the fact that they were very respectable people. (Laughter.) He made the affidavit with great diffidence—(more laughter)—and he was not cross-examined upon it. (Laughter.) He believed that it had some small measure of influence—at least he hoped it had—in securing the ends for which it was made. At the time he made the affidavit he was a respectable Chancery barrister. (Laughter.) He adopted "a criminal career" in 1910—(more laughter)—since when he had sworn no affidavit, because he was transferred to a place where affidavits were not required. (Loud laughter.) In confidence he might tell them that in his opinion it was a very good thing that affidavits were not required there (in the police court). He always associated affidavits, when he was at the Chancery Bar, with receivers. The only receivers he dealt with now were self-appointed; they did not require affidavits. (More laughter.) In confidence he might tell them that those receivers in his Court did not meet with the approval of the Court. (Loud laughter.) Mr. Deacon, proceeding, said he thought that accountants paid a great compliment to a man of another profession when they asked him to propose the toast of their Society. At one time, a very long while ago, it was generally thought that there were only three great learned professions—the Church, medicine, and the law. The development of modern life, with its great complex systems, had undoubtedly brought into being other great learned professions. He would not enumerate at length what those other professions might be, but at least none of them could have any doubt that among them stood the profession of accountancy. The word "profession" implied a standard of integrity and of honour which every member strove in his own person to support and promote to the utmost of his ability, and every member of the profession, if he allowed himself for a moment to depart therefrom, would realise that not only was he doing a wrong to the body politic, but, still more, doing something to bring a slur upon the profession to which he belonged. They did well, therefore, in a Society of that kind to get together and encourage in every way the traditions of their profession. He congratulated the Society upon their magnificent new headquarters in London. He rejoiced to think that those headquarters were so close to the Temple, because he thought that accountancy and the law had very close relationships, and that each of them in their respective professions had a very sincere respect for the other. (Hear, hear.)

Mr. HENRY MORGAN, F.S.A.A. (President of the Society of Incorporated Accountants and Auditors), in responding to the toast, said he felt it a great honour to occupy the responsible position of President of such an important professional body as that. A short time ago he asked a well known citizen of Liverpool how things were in Liverpool, and he received the reply: "Simply awful; shipping is very bad, cotton is worse, and the Stock Exchange business is rotten." His knowledge of shipping and of cotton was not so extensive that he should venture to express an opinion regarding them, except to express the hope, which was encouraged by the remarks of Mr. Dolby and the Lord Mayor, that they would very soon see a marked improvement in both those important industries; but he advocated drastic amendment of the Company Law and of Stock Exchange rules. Nearly thirty years' practice as an Incorporated Accountant within a few yards of the Stock Exchange in the City of London, he said, justified him in referring to certain undesirable elements in connection with public company practice, permitted by the law, that had been glaringly evident during the past two years. They had constantly read of late of promoters who had issued prospectuses with estimates of profits for which subsequent results had shown they could have had no justification. They had heard of dishonest underwriters who had undertaken obligations which, had they materialised, they could not possibly have met. Further, they had seen directors involve their companies in serious difficulties and loss by reason of speculation in their shares, or gross incapacity in the carrying out of their duties. It was pleasant to reflect that, so far as he knew, there had not been a single case within the last twelve months where a charge had been substantiated that the auditors of any public company had failed to discharge their duty to the shareholders. The ineffectiveness of any attempt by shareholders to obtain an investigation into their company's affairs merely served to illustrate the helplessness of shareholders to exercise any influence or control. An investigation generally came when the company was in liquidation, when it was too late for useful measures to be taken, but any attempt by them to intervene was a thankless, hopeless, and expensive task, because the law, in effect, placed the directors in an unassailable and impregnable position. In theory, shareholders had the power to appoint and fix the remuneration of the auditors and to elect and re-elect directors. In practice, that power was almost entirely non-existent. Directors had control of the company's funds. They had the power of calling shareholders' meetings at short notice at the time that best suited their own purpose, and they could solicit proxies at the expense of the company. There was an

alarming and growing tendency to extend the system of forming numerous interlocking companies which represented a group with directors common to the various companies. Those companies held substantial blocks of each other's shares, the voting power of which was utilised to defeat any movement by outside shareholders. Further, the holding company could withhold from its shareholders information to which they were morally entitled. Now, it was significant that the most prominent cases where heavy losses had been suffered or serious irregularities had occurred during the past year or so had been in connection with companies which had belonged to those groups. The recent Companies Act contained provisions requiring a holding company to disclose in its accounts certain specific information regarding its subsidiaries, but it was important to observe that those provisions did not extend beyond the balance-sheet and accounts. The law provided, and quite rightly so, that a company's money should not be utilised in the purchase of its own shares, and yet how frequently was that safeguard evaded by the formation of a subsidiary company! When there were a number of interlocking companies purchasing the shares of each other, the dangers to which shareholders were exposed need not be emphasised, and were evidenced by the recent scandals in the company world. There was urgent need for legislation to remedy the abuse of subsidiary companies. Until two or three years ago it was a rule of the Stock Exchange, when granting a settlement, or leave to deal in the shares of new companies, to deny the privilege as regarded vendors' shares for a period of six months. Unfortunately the removal of that restriction had contributed to the losses of the investing public in recent flotations, and to failures that had occurred, because directors and managers, who frequently held large numbers of vendor shares, had been concentrating on selling their shares whilst the boom lasted instead of devoting their energies to the establishment of their companies' business. It was with much satisfaction, therefore, that he had learned of a movement to get the Stock Exchange Committee not only to reimpose the restriction, but to extend it so as to preclude dealings on the Stock Exchange in vendor shares until after the issue of the first balance-sheet and accounts. Mr. J. H. Thomas referred recently to the millions which he was expecting the City to find in order to finance various schemes for the relief of unemployment. In finding that money, the investing public was a most important, if not the most important, factor, because it constituted the principal reservoir from which the capital required for our great industries could be drawn, and it was vitally necessary that its confidence, which had been so badly shaken during the last twelve months, should be restored. One of the measures to that end, in his opinion, was the drastic amendment of the Companies Acts in certain respects, in the interests of the investing public. He was fully aware of the great difficulties to be overcome because the principle of the limited liability company was the foundation upon which the great commercial edifice of this country had been built, and in the case of the vast majority of companies their business and affairs were conducted with a degree of integrity which compelled the admiration of all other countries. It was, therefore, not surprising that opposition was offered when amendments were proposed which would have the effect of taking away or restricting some of the advantages which the Acts at present afforded. Nevertheless, he suggested that when experience showed that those privileges were capable of serious abuse it was in the interest of business and commerce itself that those apparent advantages should be curtailed in order to prevent the recurrence of such exploitation of the investing public as they had recently seen. It was, he said, always a matter of joy and satisfaction to him to hear that toast proposed by a member of the legal profession, a profession which accountants, members of a younger profession, always regarded as the perfect example of all that a great learned profession should be. As accountants they envied the legal profession the powers, the protection and the privileges which that profession enjoyed. Not even to a partial extent did they, the accountants, enjoy those great advantages, but they had a hope—and he had some justification for saying so—that in the near future their profession might receive from Parliament some recognition of the great services they were rendering, not only to the Government, but to the commercial community in the country. (Applause.)

Mr. ALEXANDER HANNAH, F.S.A.A., proposed "The Legal Profession." It seemed to him, he said, that that toast was a very appropriate one to be given at any gathering of accountants, and he was sure it would receive a very hearty reception. The two professions had very much in common. There was a similarity in their training, and the qualifications necessary to success: knowledge of business, men, and things, and a proper appreciation of facts. The accountancy profession owed a great deal to the legal profession. In many ways it had been able to build up its constitution and the attitude it had adopted upon the ripe experience of the legal profession. It had been able to adopt that which seemed to it to be desirable, and to reject that which seemed to be undesirable. The members of the two professions did their work side by side, which, in his opinion, was to the great advantage of their respective clients. The line of demarcation as to what was law and what was accountancy was honourably observed between them. No one had a higher regard for the legal profession than the members of the accountancy profession. The legal profession was a very old and dignified one. The impartial administration of justice in this country, without fear or favour, excited the admiration of the world, and the people of Liverpool were proud of the brilliant contribution the city had made to the Bench and the Bar.

Mr. L. S. HOLMES (Vice-President of the Incorporated Law Society of Liverpool), in acknowledging the toast, said the debt which Mr. Hannah had referred to as owing by the profession of accountancy to the profession of law was entirely a mutual one. (Hear, hear.) Their affairs ran together, in various directions, and each of them could do an enormous amount to help the other. He entirely agreed with what Mr. Morgan had said about the need for amendment of the Company Law. The last Companies Act was an advance on the Act they had before, but it had not gone far enough. Before long they would have to have some very stringent amending legislation. The work of the accountant and the lawyer went together to a certain extent—their paths were parallel. Some points in their work absolutely impinged and others occasionally intersected. It had always been an amazing thing to him that the legal profession seemed to fight shy of figures. If the legal profession did not choose to recognise that the Income Tax Law was an important part of their work, then they could not complain if people went to an accountant on matters of Income Tax. His advice to any young law student would be that in view of coming events he should make himself very thoroughly equipped in the law of Income Tax.

Mr. STANLEY W. HANSCOMBE, A.S.A.A., proposed "Our Guests." Commenting on the speech of Mr. Morgan regarding Company Law, he said he wished it could be broadcast to all investors. He regarded rationalisation as a most misunderstood word. To-day the question was:

Is finance the handmaiden of industry, or is industry the handmaiden of finance? (Hear, hear.) With regard to their guests, they respected them the more because they realised that their energies had been employed, not only in carving out their own individual success, but in assisting those whom they represented and served. He felt sure that they had amongst their guests only those who were worthy of their hospitality.

Mr. L. C. BAILEY (Chairman of the Liverpool Stock Exchange), in responding said, speaking from a long experience in business, the sooner every may engaged in business employed an accountant to go through his books the better. If they followed that advice they would find that accountants would save them a lot of money. (Hear, hear.)

Mr. E. E. EDWARDS, who also replied, said he would go to London the following week to take up his duties as Assistant Parliamentary Secretary to the Society of Incorporated Accountants and Auditors. (Hear, hear.) He was very proud that he had been so fortunate as to be appointed to such a responsible and much-coveted position. It would be his endeavour to serve their most honourable profession, and to do all in his power to safeguard and advance their interests. He referred to Incorporated Accountants' Hall as "one of the choicest jewels in the casket of London's architecture."

Mr. THOMAS KEENS, F.S.A.A., in proposing the health of the President (Mr. Dolby), said he congratulated the members of the Liverpool Society on possessing such excellent officials as the President and Mr. Alexander Hannah, the Hon. Secretary. Adverting to rationalisation, he expressed the view that that was not a specific which would solve all the trade and commerce troubles from which the country suffered; there was only one solution, and that was that everybody should put their brains into the common stock, and work as they used to do, from the top to the bottom. (Hear, hear.)

The PRESIDENT (Mr. Dolby), in making response, paid a warm tribute to the valuable service rendered to the Liverpool Society by Mr. Hannah (Honorary Secretary), and the Committee.

Changes and Removals.

Messrs. William Morris & Sons, Incorporated Accountants, have removed to Lombard House, 16 and 17, Little Britain, London, E.C.2.

Mr. Jehangir H. Patel, Incorporated Accountant, announces that he has resumed public practice at 70, Medows Street, Fort, Bombay, under the style of Jehangir H. Patel & Co.

Messrs. Prior & Palmer, Incorporated Accountants, have removed to General Buildings, Bridlesmith Gate, Nottingham.

Messrs. Salmon & Barnaschoné, of 133, Aldersgate Street, London, E.C.1, announce that they have admitted as partners in the firm Mr. Geoffrey Fitzjohn Salmon, Chartered Accountant, and Mr. William Albert Chapman, Incorporated Accountant. The style of the firm in future will be Salmon, Barnaschoné & Co.

Messrs. Spicer & Pegler, Chartered Accountants, announce that they have commenced practice in India under the style of Spicer, Pegler & Co., and have taken into partnership as their resident partner in Calcutta, Mr. F. G. Roberts, Chartered Accountant. The business will be carried on at 5, Fairlie Place, Calcutta.

Mr. F. L. Thomerson, Incorporated Accountant, has commenced public practice at 6 and 7, Old Steine, Brighton.

Bradford and District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the Bradford and District Society of Incorporated Accountants took place on January 31st, at the Midland Hotel, Bradford.

The PRESIDENT of the Society (Mr. Henry A. Horsfield, F.S.A.A.) presided over an excellent gathering, and amongst those present were Mr. Henry Morgan (President of the Society of Incorporated Accountants and Auditors), the Deputy Lord Mayor of Bradford (Councillor Arnold Highley), Mr. Thomas Boyce, M.A., B.Sc. (Director of Education for Bradford), Mr. R. C. Maude (Senior Vice-President of Bradford Incorporated Law Society), Councillor J. Berry, J.P. (Mayor of Keighley), Councillor D. Rhodes (Deputy Mayor of Keighley), Mr. A. A. Garrett, M.A., B.Sc., (Secretary of the Society of Incorporated Accountants and Auditors), Mr. L. R. Glass, F.C.A. (President of the Bradford Chartered Accountants' Students' Association), Mr. James A. Hulme, F.S.A.A. (President of the Manchester District Society of Incorporated Accountants), Mr. J. W. Carter, F.S.A.A. (Yorkshire District Society of Incorporated Accountants), Mr. H. Richardson, M.Sc. (Principal of the Bradford Technical College), Mr. H. D. Myers, F.S.A.A. (of Keighley), Mr. W. M. Duff (H.M. Chief Inspector of Taxes, Bradford), Mr. J. C. Walkden (National Provincial Bank Limited, Bradford), Mr. Joseph Rhodes, F.S.A.A. (Past President of Bradford Incorporated Accountants' Society), Mr. J. W. Reynolds, F.S.A.A. (Past President of Bradford Incorporated Accountants' Society), Mr. A. E. Stringer, F.S.A.A. (Vice-President, Bradford Society), Mr. Tom Hudson, F.S.A.A. (Vice-President, Bradford Society), Mr. E. B. Rawlinson, F.C.A., A.S.A.A. (Bradford), Mr. J. Telfer, A.S.A.A. (Hon. Secretary of Newcastle-on-Tyne District Society), Mr. T. W. Dresser, F.S.A.A. (Hon. Secretary, Yorkshire District Society), Mr. C. A. Harrison (Hon. Secretary, Bradford and District Chartered Accountants' Students' Association), Mr. L. U. Priestley (Hon. Secretary, Bradford Law Students' Society), Miss H. M. Claridge, A.S.A.A., Mr. Charles E. Claridge, A.C.A., A.S.A.A., Miss Stephenson, Miss D. Pearson, Mr. G. R. Lawson, F.S.A.A., B.Com., Mr. E. Allison Burrows, A.S.A.A., Mr. F. W. Cadman, A.S.A.A., and Mr. H. Reynolds, F.S.A.A. (Hon. Secretary).

The loyal toast having been duly honoured,

The CHAIRMAN (Mr. Horsfield), proposing the toast of "The City of Bradford," said that Bradford had been the birthplace of many notable people, and also of some of the oldest-established professional and other societies in the country. Bradford to-day was suffering heavily from the effects of the industrial depression, particularly in the textile trade, but the city's products were of such a nature and quality that there would always be a demand for them in many parts of the world, and with the maintenance of the grit and resourcefulness which had characterised the building of the city's industry he was confident that its trade would recover and it would retain its position as one of the greatest commercial communities in the world. (Applause.)

The DEPUTY LORD MAYOR OF BRADFORD (Councillor A. Highley), in responding, regretted the unavoidable absence of the Lord Mayor (Alderman Angus H. Rhodes). It was only too true, he said, that Bradford had been

going through an extremely bad time in the business world. He believed he was expressing the view of every accountant, as a responsible citizen, in saying that if they could not prophecy for 1930 they could at any rate hope and endeavour to make it a much better business year than 1929. (Hear, hear.) Skill and a readiness to adapt themselves to changed conditions would have to be applied to help Bradford to recover, and accountants would play no small part in that revival. Time was when the accountant was regarded only as the man who came to look at the books, put his initials opposite the items if they were correctly entered, and little more. To-day, business men were ready to acknowledge the accountant as an expert financial adviser. Bradford was proud of many of her institutions and none more so than of the Technical College, the Principal of which laid himself out especially to see industry's point of view on education and to further an alliance which had already led to most valuable co-operation. It must be very gratifying to the accountants of Bradford to-day to know that that College was training youths for the examinations in accountancy. (Hear, hear.) He understood that the Society of Incorporated Accountants—the Parent Society—had been in existence 45 years, and the local Society in Bradford nineteen years. He hoped sincerely that the Bradford and other Yorkshire sections would have an active and prosperous year in 1930. Bradford had led the way in many important matters, but he believed the whole country to-day had reached an economic situation which demanded a halt to extravagant expenditure, whether municipal or otherwise, and he hoped Bradford would lead the way in that direction. Nobody knew better than accountants how great was the problem which industrialists were having to face, and nobody knew better than they what a big factor in that problem was the burden of high rates on an industry. He hoped that any influence the accountancy profession could exercise in the direction of public economy would be used, to the benefit of all. (Applause.)

Mr. R. C. MAUDE (Senior Vice-President of the Bradford Incorporated Law Society), proposing the toast of "The Society of Incorporated Accountants," said he wished at the outset to congratulate the Society on the splendid permanent memorial to the importance of the profession which had been secured by the acquisition of the new building in London. He was grateful to the Secretary of the Bradford Society for having endeavoured to prime him with some information about the Society and its Branches in the form of the annual report and a set of the examination questions. He found himself hopelessly unable to attempt to answer the questions—(laughter)—and the report was interesting enough to tempt him to probe further, so he went to the Public Library and there found quite a lot of information about the profession of accountancy by reference to the Society's splendid *Journal*, in two numbers of which he had found no less than six accounts of dinners of the District Societies, at most of which Mr. Morgan was present. He felt that he was on very safe ground in offering to Mr. Morgan a hearty welcome to Bradford. (Hear, hear.) If they could not say Mr. Morgan was a native of Bradford, they could, at any rate, have the satisfaction of knowing that he had many interests in Bradford. He had been endeavouring to trace the history of accountancy back into the distant past, but he supposed it must be a comparatively modern profession, because one read that in the old days there were taxpayers and tax-gatherers, and one was left to assume that those taxpayers who did not pay willingly simply got a knock on the head; therefore accountants were not required to adjust differences between the two. (Laughter.) Banking, he believed, started in Italy, and so far as he could gather accountancy also started in Italy as a profession and seemed to go back about 350 years, about which period one learned that the Government of Venice—or whatever the authority was—decided what charges accountants should make. Later on, coming to this country, one found from a directory of 1790 that London seemed to have only five accountants, and so recently as 1822 only 72 accountants were shown in the London directory. The growth of accountancy in modern times, therefore, must have been tremendous, for he should say that in Bradford alone to-day—let alone the country generally—there must be substantially more than that number. "I suppose it was really the Bankruptcy Act of 1869—I hope I am right in the date; I suppose I ought to know it—that began the big development in accountancy," said Mr. Maude. "Companies Acts and Revenue Acts galore, which beneficent Governments have poured upon us, have, I suppose, created the profession of accountancy to a large extent. But your profession is not only for the settling of differences between the people as taxpayers and the Government as tax-receivers, but has become far more important nowadays, for the accountant must have a close knowledge of a man's business so that he can see where the costings in a business are wrong and whether a man has any chance of making a profit or not." In a reference to the much-debated question of registration for accountants, Mr. Maude said he knew the Society had had a great deal to say on this subject. He was aware that there were two great bodies of really qualified accountants anxious to safeguard the qualification, but there seemed, in the present state of things, to be nothing to prevent almost anybody putting a brass plate on his door and calling himself an accountant. He, as a member of the legal profession, felt strongly that genuinely qualified accountants ought to be protected by law as were members of the legal and medical professions. (Hear, hear.) It was only right and proper for the qualified accountants, and it was entirely in the interests of public safety that when they saw the word "Accountant" on a brass plate they should know they could consult somebody who knew what he was doing, who knew his job and had been trained for it, and not somebody who was little more than a debt collector. (Hear, hear.) He felt the two great Societies of qualified accountants should do their very utmost to secure that protection by law. (Hear, hear.) Mr. Maude said he was glad to know of the growing membership of the Society in London, and also of the Bradford Society. It was essential that every man in a profession should be a member of the Parent Body and also of the local Society, because, after all, it was numerical strength that counted very largely when the professional society was approaching Governments or other bodies on behalf of the interests of the profession. (Applause.)

Mr. HENRY MORGAN, F.S.A.A. (President of the Society of Incorporated Accountants and Auditors), replying to the toast, remarked that there was no city in the Kingdom which for him had so close a personal tie as had Bradford. For four generations his people had been actively identified with the wool trade, and three of his brothers were at present engaged in Bradford's staple industry. He did want them to understand how intense was his pleasure at being present in Bradford again that evening, and as their guest in the capacity of President of the Society of Incorporated Accountants and Auditors, and how great an honour he felt it to be to respond to this toast in that particular city of all places. (Hear, hear.) Yet the pleasure of the occasion was not untinged

with sadness because he missed the company of one who had been a stalwart comrade in the profession in Bradford and who would undoubtedly have felt pleasure in the occasion. He referred to the lamented death of their late friend, Mr. William Claridge. "William Claridge," said Mr. Morgan, "was one whose name will always be remembered in the history of our Society for the great services which he rendered to our Society, to the accountancy profession as a whole, and to his own city in educational and public service." Continuing, Mr. Morgan said he felt that although it was of more recent growth than that of the law or of medicine, accountancy was claimed—and he believed with justice—to rank with the great learned professions, and therefore they might well ask themselves what were the distinguishing features of a great profession? In the first place, its members must possess a high degree of skill and knowledge; an exact standard of training and study was required to pass the examinations of the Society of Incorporated Accountants, and with the increasing responsibilities of the profession there was shown a tendency for the examinations to stiffen and the syllabus to broaden. The percentage of failures in the examinations was woeful proof that the standard of marking was strictly maintained. Mr. Morgan therefore contended that the skill and knowledge required in the accountancy profession to-day would bear comparison with the two learned professions previously mentioned—the law and medicine. (Hear, hear.) In the second place, the obligations and responsibilities of the profession must be considered. The increase in the responsibilities of the accountancy profession during recent years had been phenomenal. The professional accountant was called upon to act as auditor, liquidator or trustee, or as the financial adviser of great business organisations. He had also to prepare and to certify accounts which were accepted by the Revenue Authorities for taxation purposes. Such responsibilities involved not only enormous sums of money, but a very definite moral obligation. In the third place, a great profession demanded a high standard of professional conduct and an unquestioned reputation for honour and integrity. Resort to unprofessional methods by uncontrolled so-called accountants—touting, advertising, trade protection societies and income tax agencies—all these, he regretted to say, had for far too long disfigured the practice of accountancy in this country. (Hear, hear.) The Society of Incorporated Accountants and the Institute of Chartered Accountants, in their training of candidates—and, if need be, through their disciplinary committees—maintained a well recognised and well-understood code of professional conduct which was comparable with that of any other great professional body. The fourth feature of a great profession was that of the public esteem which its members enjoyed. If one attempted to look upon the matter from the point of view of the fees which the public was prepared to pay for the services of a real accountant, suggested Mr. Morgan, accountancy would not bear an unfavourable comparison with other professions. But, of course, as Mr. Maude had almost suggested, the matter of fees and the amount of them was a question quite immaterial amongst accountants. (Hear, hear, and laughter.) There was, however, one very substantial difference between accountancy and the two great professions of the law and medicine. Those two great professions had been granted by Parliament privileges, powers and protection which up to the present time had been denied to accountants. This really was astonishing when one realised the great part which the accountancy profession was playing in relation to the Government and the business of this country, and the great services it rendered in connection with the collection of the national Revenue. Under the law, no person who was not fully qualified and subject to disciplinary control could hold himself out as a legal or medical practitioner, nor was any such person allowed to perform any services similar to those carried out by the members of those two professions. But as the law stood at present there was nothing to prevent any person—even if he had no qualification whatever—from holding himself out as a public accountant and acting in any capacity where the services of a fully-qualified accountant were desirable or indeed necessary. For some thirty years past the Incorporated Society had been fighting for statutory recognition for accountancy, and to-day there was an insistent demand, especially from the younger members in the provinces, for some effective action to remedy the defects of the present position and remove the abuse with which the profession was faced. It should be particularly remembered, urged Mr. Morgan, that it was not so much the well-established accountancy practices which were feeling the effects of the methods of the uncontrolled practitioner as the younger men just starting on a career. The extraordinary publicity which was secured by the older and well known firms of accountants, through the advertisements of prospectuses and balance-sheets of large numbers of public companies, gave these firms an advantage which was unobtainable by the younger members of the profession, and it was these younger members who were most severely hit by the unfair competition of the uncontrolled accountant, who deprived them of that class of work on which they had chiefly to rely for the establishment of their practices. An unsatisfactory feature of the accountancy profession under these conditions was that from seven to eight hundred new members were admitted by the Institute and the Society every year, and yet only a very small proportion of these numbers were added to the list of practising accountants. The young qualified accountants, instead of being able to start in practice on their own account, were all too often forced to join the staffs of great accountancy organisations, where their individuality was almost entirely lost. Mr. Maude had referred to the question of registration. The profession, declared Mr. Morgan, was going to hear a great deal about registration and regulation of the profession in the future—in fact, in the very near future. (Hear, hear.) It was a question to which the Institute and the Society would have to address themselves very seriously. "I have a hope," said Mr. Morgan, "and I may say I have very sound justification for what I am saying, that our profession may shortly receive from Parliament proper recognition as in the case of other great professions, and that the young qualified accountant and the public alike will receive protection from that unfair competition which so sadly disfigures our profession at present, and so seriously hampers the public service which the profession seeks to give." (Applause.) In conclusion, Mr. Morgan tendered thanks to Mr. Maude for his expression of the assembly's welcome. It was the good fortune of the Incorporated Society that often this toast was proposed by a member of the legal profession. Accountants were grateful for that, because they had a very great regard for the legal profession, which always appeared to them as the perfect example of all that a great learned profession really should be. (Applause.)

Mr. H. D. MYERS, F.S.A.A. (Keighley), proposing the toast of "Education and Industry," said the linking of the two words brought to mind at once the far-reaching effects of science in relation to the processes of industry. They needed only to think, in a textile district like Bradford, of the manufacture of artificial silk from wood fibre

to realise how great had been the achievements of education and science and industry in co-operation. Education and industry were both factors with which the accountancy profession was vitally concerned. It was essential that men of the highest education and the widest outlook should go into modern industry, and particularly so in this time of crisis. Trade was an international affair and the time had gone by when education and industry could be looked upon from any insular point of view, or when the industrialists and professional men of this country could think lightly of their competitors abroad. It had to be realised that the industries of this country, and particularly the great staple industries of the North, were not to-day in a healthy condition. Anybody who read the speeches of the chairmen of the great banks during the past few days would see that they were unanimous in their references to the handicap of higher production costs and our inability, for that reason, to compete with world prices. It was significant that the countries which were our most serious competitors in the textile trade, such as France and Japan and Italy, were countries where production costs were lower, where taxation was lower, where public services were not so expensive nor the cost of local government so great as in this country, and he thought it was time the word "Economy" had something more than lip service from our politicians and public leaders. Most countries were now reducing their taxation, but everything seemed to point to ours being increased. Whilst nobody desired to reduce the standards of living or of public service in this country, one sometimes wondered whether we were really getting full value for national and local expenditure. In this connection, and in view of the toast, Mr. Myers said he could not help referring to the question of expenditure on education. Perhaps Mr. Thomas Boyce, the Director of Education for Bradford, in responding to the toast, would put him right if he was wrong. (Laughter.) He read from statistics recently published for last year that the national expenditure on education was 49.6 millions sterling, as compared with 17.5 millions in 1913-14. That was nearly three times as great as before the war. There was a town not ten miles from that dinner gathering (Keighley)—he mentioned it because he was personally particularly associated with it, and he spoke with bated breath in the presence of the Mayor and Deputy Mayor of Keighley—(laughter)—where it had been reported within the past week that the cost of elementary education there had increased from £48,000 in 1920 to £66,000 in 1930, although the number of scholars was less! He felt inclined to ask seriously whether, in view of all the circumstances of the time, it really was desirable, as now suggested, to extend the school-leaving age, and whether that was the best way of achieving the further educational objects in view. He wondered how many educationists there were who really thought half the children would profit under this suggested scheme; did the country know how much it was going to cost, and was this a time when the country could afford it? As accountants, he admitted, they would be in a very poor way without education, and they would be in a still worse way without industry, and as a member of a profession vitally interested in both he had great pleasure in proposing the toast. (Applause.)

Mr. THOMAS BOYCE, M.A., B.Sc. (Director of Education for Bradford), replying to the toast, said he had no intention of entering into anything in the nature of a controversy on the question of expenditure on education. At the same time, he felt he could not allow the remarks of their friend, Mr. Myers, of Keighley, to pass entirely without comment. (Laughter.) Bradfordians had a very great respect for Keighley, but he felt sure that if Mr. Myers had come from Bradford, at any rate, he would not have been likely to raise the question whether the expenditure on education was worth while. (Laughter, and hear, hear.) Mr. Boyce said he would like to assure the assembly that those who were engaged in the administration of what, quite frankly, was an expensive public service—but a very important public service—were not such impractical people, with their heads in the clouds, as to expect to administer their service without regard to the financial stringency through which the country was passing. Indeed, perhaps the most really constructive part of his own work to-day, as Director of Education in Bradford, was that of overcoming the difficulty of reconciling sane educational enterprise with the financial opportunities and limitations of the authority he served, and of the country whose interests he had at heart. It was quite true that the cost of education had increased in the post-war period, but even if business was going through anxious times, they still had to keep their minds on productive expenditure. It was not true economy to "string up" in every possible direction without regard to possibilities of wise productive expenditure for future benefit, within the limited resources available. Expenditure on education in such circumstances was very much akin to the business which had to maintain its expenditure on advertisement, perhaps even increase it, when trade was quiet. Critics of public educational expenditure, who in many cases sent their own children to boarding schools, should remember that such education cost anywhere from £50 to £100 per term, or anything from £150 to £200 per year in respect of each child. If, however, the child were sent to a public elementary school in Bradford, where books and everything else—even food, if found necessary—were provided for him, it cost from about £12 to £14 per year. One valuable contribution which could be made by education to industry in the near future was in directing constructive thought in the matter of business organisation and administration. Mr. Boyce said he was not talking about book-keeping or filing and such things, but the really big thing—organisation and re-organisation of business enterprise. He did not know whether there was much more that could be done in the way of technical assistance to industry than was already being done by educationists, but he felt that in this matter of reorganisation there was a possibility of a new and important contribution during the next few years. (Applause.)

Mr. E. B. RAWLINSON, F.C.A., A.S.A.A., proposed the toast of "The Guests," and remarked that accountants were always glad to welcome visitors, whether at their festive board or at their private offices. (Laughter.) The pleasure was great in one case and even greater in the other. (Laughter and applause.)

Mr. W. M. DUFF, H.M. Inspector of Taxes, in a humorous response, said he and his colleagues had many business dealings with members of the accountancy profession, and a gathering of that kind was one of the few opportunities they had to acknowledge the friendly relationships which had been established and maintained. He felt that, despite the limits imposed on him as a public servant, he could freely acknowledge the great services which accountants rendered to the country and to the Revenue machine. (Hear, hear.) He felt also that they of the Civil Service owed a debt of gratitude to the Society in extending to them facilities for membership. (Applause.)

Mr. JAMES A. HULME, F.S.A.A. (President of the Manchester District Society of Incorporated Accountants),

who also responded, congratulated the Bradford Society on its excellent syllabus of lectures and meetings and its institution of a monthly luncheon gathering. It was essential that a District Society should maintain its activity, because its very grant and existence depended on its activities. They in Manchester regarded the monthly luncheon as a splendid medium for getting to know one another, and the more they got to know one another personally the better for all concerned. (Applause.)

The toast list being concluded, the assembly, on the proposition of Mr. G. R. LAWSON, F.S.A.A., B.Com., one of the founder secretaries of the Bradford Society, approved a hearty vote of thanks to the President for his chairmanship at the gathering and his many services to the District Society, and also to Mr. H. Reynolds, F.S.A.A., their Hon. Secretary, for his energetic work on behalf of the Society.

The CHAIRMAN (Mr. Horsfield) briefly responded on behalf of Mr. Reynolds and himself.

Incorporated Accountants' Students' Society of London.

ANNUAL MEETING.

THE thirty-ninth annual meeting of this Society was held at Incorporated Accountants' Hall, Victoria Embankment, on Tuesday, February 25th, the President, Mr. M. J. Faulks, M.A., occupying the chair.

The President, in moving the adoption of the report and accounts for the year ended December 31st, 1929, congratulated the Students' Society on its largely increased membership, the number of student members having increased by 179. Many members had succeeded in passing the examinations of the Parent Society, of whom Mr. C. E. I. Jones took first place in the May Final examination and Mr. H. E. Filby first place in the November Intermediate examination. The Committee had arranged lectures by eminent accountants, economists and financial experts, and he felt quite sure that students and practising accountants, by attending these lectures, must have obtained a wider outlook on subjects of great importance to them in their professional career. The Students' Society was under a deep debt of gratitude to the Parent body for the facilities afforded for the holding of lectures and meetings in that magnificent building. A practical proof of the appreciation of the members was no doubt found in the increased number of students. The accounts of the Students' Society were in a very flourishing condition, as could be seen from the report in the hands of the members. He thanked the Committee and Secretary for the splendid services they had rendered to the Society during the past year, which had made his tenure of office very pleasant and far from onerous. He had great pleasure in announcing that Sir Stephen Killik, an Alderman of the City of London and a member of the Society, had agreed to accept nomination to the office of President for the ensuing year, and he could not but feel that, if anything were wanted to set the seal of success on the work of the Students' Society, that want would be supplied by Sir Stephen Killik filling the office of President.

ELECTION OF OFFICERS.

The following officers were appointed for the ensuing year: President: Sir Stephen Killik, F.S.A.A.; Vice-President: Mr. G. Roby Pridie, F.S.A.A.; Committee: Mr. W. Strachan, F.S.A.A., Mr. W. Holman, F.S.A.A., Mr. M. J. Faulks, M.A., F.S.A.A., Mr. S. T. Morris, A.S.A.A., Mr. A. A. Garrett, M.A., B.Sc., Mr. H. E. Colesworthy, A.S.A.A., Mr. C. E. Wakeling, A.S.A.A., Mr. W. D. Menzies, A.S.A.A., Mr. L. H. Plumpton; Hon. Treasurer: Mr. A. R. King Farlow, F.S.A.A., F.C.A.; Secretary: Mr. James C. Fay; Hon. Auditor: Mr. W. H. Payne, F.S.A.A.

39th Annual Report.

The Committee have pleasure in presenting their thirty-ninth annual report and accounts for the year ended December 31st, 1929.

The accounts show a surplus for the year of £203 12s. The entrance fees amount to £61, and the annual subscriptions to £402 4s. 6d. The Committee again desire to express their thanks to the Council of the Parent Society for their continued financial support.

MEMBERSHIP.

During the past year 244 new members have been elected. At December 31st, 1929, there were 967 members on the roll, consisting of 180 honorary members in practice, 170 honorary members not in practice, and 617 ordinary members. The Committee regret to note that there is still a tendency for student members upon qualifying to cease to support the Students' Society. The Students' Society offers them valuable facilities, and it is hoped they will continue their membership.

REVIEW OF THE SOCIETY'S WORK FOR THE PAST YEAR.

The usual meetings were held during the Spring and Autumn Sessions, and lectures were delivered by members of the legal and accountancy professions upon a variety of important subjects which come within the scope of the accountant's duties and practice.

The Society is greatly indebted to Mr. Gibson Jarvie, Mr. H. E. Raynes, F.I.A., F.C.I.I., Mr. Harry Farrar, M.C., M.A., LL.B., Mr. Philip Vos, M.A., Mr. A. S. Wade (City Editor of the *Evening Standard*), and Mr. O. R. Hobson (City Editor of the *Financial News*), for the lectures kindly delivered by them to the members.

Certificates of Merit were awarded to two members of the Students' Society in the Final examination, and three Place Certificates in the Intermediate examination.

The Committee wish to record their grateful thanks to the Council of the Parent Society for their permission to hold the Society's meetings in the Great Hall.

The following is a list of Lectures and Discussions held during the Spring and Autumn Sessions:—

Spring, 1929—

Lecture: "Notes on Accountancy and the Problem of Management," by Mr. W. J. Back, Incorporated Accountant.

Joint Meeting with the Insurance Institute of London. Lecture: "Insurance by Groups—(*a*) Life; (*b*) Disablement; (*c*) Pensions," by Mr. H. E. Raynes, F.I.A., F.C.I.I.

Lecture: "The Future of the Accountancy Profession," by Mr. E. E. Spicer, F.C.A.

Lecture: "Consumer Credit," by Mr. J. Gibson Jarvie.

Lecture: "Holding Companies and their Accounts," by Mr. E. Miles Taylor, F.C.A., Incorporated Accountant.

Lecture: "Central Banking and Trade Progress," by Mr. A. S. Wade, City Editor, *The Evening Standard.*

Autumn, 1929—

Lecture: "The Companies Act, 1929," by Mr. Harry Farrar, M.C., M.A., LL.B., Barrister-at-Law.

Lecture: "Stock Exchange Transactions," by Mr. W. W. Bigg, A.C.A., Incorporated Accountant.

Lecture: "Statistical Administration of Industry," by Mr. A. G. H. Dent, F.S.S.

Lecture: "The Changing Gold Standard," by Mr. O. R. Hobson, Editor-in-Chief, *The Financial News.*

Lecture: "Executorship Law and Accounts," by Mr. W. H. Grainger, Incorporated Accountant, Chief Accountant, Prudential Assurance Company, Limited.

Lecture: "Some Post-War Economic Problems," by Mr. Philip Vos, M.A., Barrister-at-Law.

"TRANSACTIONS."

The thirty-third volume of "Transactions" for the year 1928 has been published and distributed among the members.

EXAMINATIONS OF THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

The following students passed the Parent Society's Examinations during the year 1929:—

MAY.—*Final:* Mr. C. E. I. Jones, First Prize and First Certificate of Merit; Mr. N. W. Osborne, Ninth Certificate of Merit; 22 members passed. *Intermediate:* Mr. S. F. Spain, Eighth Place Certificate; 39 members passed.

NOVEMBER.—*Final:* 31 members passed. *Intermediate:* Mr. H. E. Filby, First Place Certificate (disqualified for Prize by age limit); Mr. R. B. Shah, B.Com., Fifth Place Certificate; 62 members passed.

OFFICERS AND COMMITTEE.

Under Rules 3 and 5 the Officers and Members of the Committee and under Rule 10 the Honorary Auditor retire from office. The members of the Committee, the Honorary Treasurer and the Honorary Auditor, being eligible, offer themselves for re-election.

The accounts, duly audited, are annexed to this report.

Dr. REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31ST, 1929. Cr.

	£ s. d.		£ s. d.
To Printing	56 14 1	By Annual Subscriptions	402 4 6
„ Stationery, Postages, &c.	58 15 3	„ Entrance Fees	61 0 0
„ Reporting Charges	48 17 8	„ Dividends (*less* tax)	15 10 8
„ Hire of Hall for Lectures	25 0 0	„ Grant from Society of Incorporated Accountants and Auditors	105 0 0
„ Publication of "Transactions"	130 1 6	„ Sundry Sales	4 7 4
„ Secretary's Honorarium	52 10 0		
„ Clerical Assistance	12 12 0		
„ Balance, being surplus of Income over Expenditure for the year	203 12 0		
	£588 2 6		£588 2 6

BALANCE SHEET, DECEMBER 31st, 1929.

	£ s. d.		£ s. d.
To Sundry Creditors	16 9 6	By Cash at Bank	481 6 1
„ Subscriptions paid in advance	12 1 6	„ Investment:—	
„ Revenue Account:—		£388 4s. 5d. 5 per cent. War Stock 1929-47 at cost	366 13 4
Balance at Dec. 31st, 1928 £625 2 0		„ Sundry Debtors	9 5 7
Add Balance as above 203 12 0			
	828 14 0		
	£857 5 0		£857 5 0

A. R. KING FARLOW, *Hon. Treasurer.*

I have examined the foregoing Accounts for the year ending December 31st, 1929, together with the Books and Vouchers of the Society, and find the same to be correct. I have also verified the Investment and the Cash at Bank.

W. H. PAYNE, *Incorporated Accountant,*
Hon. Auditor.

LONDON, *February 13th*, 1930.

Reviews.

How to Appeal Against Your Rates. *(In 2 Vols., 174 and 84 pp.) By A. Stanley Eamer, F.S.I., Chartered Surveyor. London: Sir Isaac Pitman and Sons, Limited, Parker Street, Kingsway, W.C. (Prices: Vol. 1, 5s. net; Vol. 2, 3s. 6d. net.)*

These little books deal with rating matters outside the Metropolis and within the Metropolis, Volume 1 applying to the former and Volume 2 to the latter. The reason for the two separate volumes is that the law differs widely in regard to properties within the Metropolis and those outside. The subject is dealt with in a simple manner which should be easily understood by the ordinary reader. Attention is given to the shifting of the incidence of taxation by the recent Apportionment and Local Government Acts, and the volumes have been prepared with the object of providing the ratepayer with all the information he should require to enable him to deal with simple cases before an Assessment Committee. Mr. Eamer, being the Rating Surveyor to the Metropolitan Borough of Lambeth, is well qualified to deal with the subject.

The Law of Bills of Exchange, Cheques and Promissory Notes. *(3rd Edition.) By B. Jacobs, LL.B. (Lond.). London: Sweet & Maxwell, Limited, 2 and 3, Chancery Lane, W.C. (278 pp. Price 10s. 6d. net.)*

In compiling this edition, the author has reconstructed the form of the book with the object of displaying more clearly the provisions of the Bills of Exchange Acts. The text has also been revised in several respects and case law included up to the end of 1929. The author's object is not to provide an elaborate treatise on the subject, but to give a clear exposition of the main principles underlying the law of negotiable instruments, and of the rules relating to bills, cheques, and notes. A useful feature of the book is an example in tabular form showing the various ways in which a bill of exchange may be drawn. This should prove of value to examination candidates.

The Whole Duty of a Director. *By Albert Crew, Barrister-at-Law. London: Gee & Co. (Publishers), Limited, 6, Kirby Street, E.C. (178 pp. Price 7s. 6d. net.)*

In preparing this edition, Mr. Crew has revised the text in order to give effect to the provisions of the Companies Act, 1929, and has also added many recent cases of importance in relation to the duties and responsibilities of directors. Those concerned in the management of companies will find in this publication full information as to the duties they are called upon to perform and the liabilities which they may incur.

How to Study for Profit. *By J. H. Burton, A.S.A.A. London: George Roberts, 24, Great Russell Street, W.C. (86 pp. Price 2s. 6d. net.)*

Examination candidates will find in this little volume useful guidance as to the best method of applying themselves in preparing for examinations. Amongst the matters discussed are private and oral tuition, reading under guidance, correspondence courses, choice of text books, note taking, conduct in the examination room, &c. Many useful hints are given as to when and how to study and how to employ time to the best advantage.

Trust Accountants' Guide. *By A. H. Conway. London: Effingham Wilson, 16, Copthall Avenue, E.C. (116 pp. Price 4s. net.)*

This is a useful little book written in simple language embodying much practical information which it is important that those acting in relation to trusts and trust accounts should possess. Amongst the subjects discussed are capital and income accounts, apportionments, advancement of capital, and income tax cases. These are prefaced by a number of general suggestions of a useful character. The leading cases on the various points are also briefly summarised. The Appendix contains particulars as to distribution on an intestacy, trust investments under the Trustee Act, 1925 and the Settled Land Act, 1925, and improvements authorised by the last named.

District Societies of Incorporated Accountants.

BIRMINGHAM AND MIDLAND.

On January 24th, Mr. H. A. R. J. Wilson, F.C.A., A.S.A.A., delivered a lecture to the members on the subject of Income Tax, Mr. T. Harold Platts, F.S.A.A., occupying the chair. The Lecturer explained the law governing the assessment of trades, businesses, professions, and vocations under Cases I and II of Schedule D, with the rules applicable to new and discontinued businesses. He stated that sect. 34 of the Finance Act, 1927, provided that where it had been customary to make up accounts, the usual accounting period ended in the preceding fiscal year, fixed the assessment. Doing a thing once, however, did not create a custom, and therefore in the third year of assessment on a business, where only one account had been made up prior thereto, sect. 34 did not apply, and it was necessary to base the assessment on the profits of the preceding *fiscal* year, splitting accounts where necessary. This was decided in November, 1929, in the cases of *Dunham* v. *Hoscote (Malaya) Rubber Estates* and *Dunham* v. *United Sumatra Plantations*. As this ruling may involve the Revenue in considerable delay in arriving at assessments in such cases, and they have not appealed against the decisions, the Lecturer gave it as his opinion that the Finance Act, 1930, would be likely to contain legislation replacing the position where it was in practice before these cases were decided, viz, that the third year's assessment should normally be on the first twelve months' accounts.

Mr. Wilson then dealt in detail with successions to a business, pointing out that a change of ownership meant assessment as if the business were discontinued and recommenced on the date of the vending agreement, but that where there was an identity of interest of at least one person both before and after the succession, the rule did not apply unless the whole of the partners engaged in the business (both before and after the change) gave written notice within three months after the change that they wanted to be assessed as if the business had been discontinued and recommenced. He then explained many practical difficulties which arose on such changes and pointed out that it was often a gamble as to whether it would be beneficial for the partners to claim.

The Lecturer proceeded to elucidate the provisions for setting off losses in a trade under Rule 13, Cases I and II, and for claims for relief in respect of a loss under sect. 34, Income Tax Act, 1918; sect. 33, Finance Act, 1926; sects. 28 and 29, Finance Act, 1927, and sect. 19, Finance Act, 1928, explaining how the last section worked in conjunction with Rule 21 of the All Schedules Rules.

The lecture concluded with a concise explanation of the effect of sects. 33, 34 and 35 of the Finance Act, 1927, whereby an accruals basis was to be taken in certain

cases where either the Revenue or the taxpayer could show that the rule requiring dividends to be brought into the statutory income of the year in which they were received, resulted in a loss of revenue or an excessive assessment in respect of surtax.

SOUTH WALES AND MONMOUTHSHIRE.

A meeting was held at Newport on February 12th, when Mr. A. Goldstein (H.M. Inspector of Taxes, Newport) delivered an address on "Income Tax." The chair was taken by Mr. W. J. Pallot, F.S.A.A., Vice-President of the District Society, and there was a large attendance of members and students. Mr. Goldstein dealt with the basis of assessment of Schedule A and deductions therefrom. He also dealt very fully with Schedule B and Land Tax. An interesting discussion followed, and a vote of thanks proposed by Mr. J. Pearson Griffiths and seconded by Councillor A. E. Pugh was enthusiastically carried.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

Mr. A. E. Pugh, F.S.A.A. (Newport), was the lecturer at a meeting held at Cardiff on January 23rd. The chair was occupied by Mr. Ivor Davies, A.S.A.A., and there was a good attendance of student members. Mr. Pugh took for his lecture the subject of "Economics," and although, as he pointed out, a whole evening could be devoted to one phase of the subject, he deemed it desirable to touch upon a number of the more important examination points and explain in detail many of the economic "terms" encountered by students. It was most necessary to have a clear idea of the meaning of these terms, as their use in every-day speech very often differed from their use in an economic sense. By means of charts he gave a very able description of wealth, agents of production (land, labour, capital and organisation), law of demand and supply, and distribution. At the close of the lecture Mr. Pugh was occupied for a considerable time in dealing with questions raised. A very successful meeting concluded with a hearty vote of thanks to the Lecturer.

YORKSHIRE.

The advantage to accountants of being conversant with the Landlord and Tenant Act, 1927, was ably pointed out by Mr. R. C. Davies, Solicitor, Leeds, in an interesting paper at the eighth lecture of the present session, on January 28th. Mr. Alfred Schofield, A.S.A.A., was in the chair. A discussion on claims took place at the close of the lecture.

At the ninth meeting of the present session, held at Leeds on February 11th, Mr. George R. Lawson, F.S.A.A., B.Com., of Bradford, delivered a lecture on "Some Practical Applications of Economic Laws." He dealt with the effects of taxation on prices, and of safeguarding on new industries. The chair was taken by Mr. P. A. Moulton, F.S.A.A., of Wakefield, and there was a good attendance of members.

NEWPORT INCORPORATED ACCOUNTANTS' STUDENTS' SOCIETY.

The third annual dance of the above Society was held at the Westgate Hotel, Newport, Mon., on February 7th. As in past years, it proved to be an extremely enjoyable affair, and those who were present spent a thoroughly good evening.

DEPRECIATION RATES FOR INCOME TAX.

The following addition has been made to the schedule of Depreciation Rates which have been agreed by the Board of Inland Revenue, subject to the concurrence of the Income Tax Commissioners :—

FLOUR MILLERS.

As the result of representations which have been made to them on behalf of the Incorporated National Association of British and Irish Millers, Limited, the Board have agreed, subject to the approval of the Commissioners, to allowances being granted on the following basis in respect of wear and tear of plant and machinery employed in flour mills :—

> Steam power and shafting, 5 per cent.; electric motors and other electric plant, gas and oil engines, other than Diesel-type engines, roller mills, automatic weighers, spouting, elevators and conveyors (with legging), 7½ per cent.; other plant and machinery, including Diesel-type engines, 10 per cent.

The arrangement is to have effect for the year 1928-29 and subsequent years, and is to apply to all members of the above-named Association.

SHIPS.

With regard to allowances in respect of ships (*see our issue of October*, 1927), the following points should be noted in regard to the allowance to be made for wear and tear of refrigerating plant and insulation :—

Refrigerating Plant and Insulation : Steamers and Motor Vessels.

1.—The allowance is normally to be computed separately from the allowance for the Mill, &c., in order to ensure :—

(*a*) That the allowance in respect of refrigerating plant and insulation ceases when the break-up value of such plant, &c., is reached; and

(*b*) That the aggregate allowance made to a shipowner in respect of refrigerating plant and insulation does not exceed the cost to him *less* the break-up value of such plant, &c.

2.—The break-up value is to be computed at the rates for new ships set out in paragraph (3) of the statement forwarded with the letter of August 4th, 1927, *i.e.*, normally at 4 per cent. If the equipping of a ship with refrigerating plant and insulation was completed so that the ship was delivered to the shipowner during any of the years 1917 to 1922, the break-up value of such plant, &c., is to be computed by reference to the special rates for new ships delivered during that period. Where, however, a ship delivered during any of the years 1917 to 1922 was equipped with refrigerating plant and insulation after 1922, the break-up value of such plant, &c., is to be computed at the normal rate, *i.e.*, 4 per cent.

3.—Where refrigerating plant and insulation is added to a ship (whether new or second-hand) after the "constant" break-up value (see paragraph (3) in the statement referred to in the preceding paragraph) has been computed, that value is to be increased by the break-up value of the refrigerating plant and insulation. A similar revision of the "constant" break-up value is to be made on the occasion of each further addition of such plant, &c. but no revision of the "constant" break-up value is to be made on account of capital expenditure on the renewal or improvement of *existing* refrigerating plant, &c.

4.—In the circumstances indicated in paragraph (3) the annual allowance in respect of wear and tear of refrigerating plant and insulation is to be separately computed on the same basis as for similar plant in new ships, *i.e.*, at the normal rate of 6½ per cent.

Where, however, paragraph (4) of the statement accompanying the Board's letter of August 4th, 1927, gives a basis more favourable to the shipowner, that basis should be applied, subject to the modification that the total allowance to be spread over the remaining lifetime of the ship is to be the cost of the additions, *less* the break-up value computed as in paragraph (2) above.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Liability of Accountants.

Mr. James Keith, K.C., gave a lecture to the Glasgow Chartered Accountants' Students' Society on the 12th ult. on the "Legal Liability of an Accountant." He pointed out that that liability flowed from contract. In many of the cases where an accountant's liability had been considered, the controversy had been not so much as to the nature of the accountant's duty, as to the contract existing between him and his employer. In dealing with the duties of an accountant in the matter of audit, Mr. Keith pointed out that in nearly all the reported cases as to the accountant's liability the precise amount of investigation called for from an auditor had been the subject of a good deal of consideration by the Courts, but it was to be doubted whether any degree of finality had yet been attained. Some dubiety had been expressed judicially as to the minimum required of an auditor in vouching such assets as a company's investment securities, but in such cases the liability of an accountant depended upon the particular circumstances of each case. An auditor, he stated, was not bound to be suspicious, and that proposition had been put in the more picturesque form—an auditor was a watch-dog, but not a bloodhound.

Housing Trust—Income Tax Concession.

In connection with the Fleming Trust Housing Scheme, of which the Corporation of Dundee are Trustees, a concession has been agreed to by the Inland Revenue at the request of the Town Council by which the trust fund is recognised as a charity. In future, therefore, no income tax will be payable. It was estimated that this would mean a saving of £1,100 a year to the Trust. Another concession by the Inland Revenue had been granted in respect of the income accruing from £100,000 legacy by the late Mrs. Marryat. On the Town Council undertaking that this income would be applied to the acquisition of land in slum areas to be suitably laid out and used as playgrounds for children and as open spaces, such income would not be subject to payment of income tax. It was estimated that this would be a saving of about £950 a year.

Income Tax—Sports Ground Profits.

The First Division of the County Session has decided an Exchequer case in an appeal by the Inland Revenue, the respondents being the Trustees of the Stonehaven Recreation Ground. The Trustees, three of whom were elected by the Town Council, had appealed to the General Commissioners for Kincardineshire against an assessment made on them under Schedule D for the year ended April 5th, 1928, in respect of the profits of trade carried on by them at Stonehaven. The Trustees contended that in carrying on the Recreation Ground they were doing so for the benefit of the subscribers, and that the Trustees differed in no way from the committee of an ordinary club.

The Crown argued that the position of the Trustees was entirely different from that of the Committee of an ordinary golf club. They held the ground for the use and behoof of the subscribers to the ground, but the grounds were open to everyone who paid the charges of admission.

The General Commissioners were of opinion that if ordinary private clubs, who might dispose of their assets as they thought fit, were not liable to tax, the Trustees were *a fortiori* not liable in respect that they were a statutory body bound by the order under which they were constituted to hold the recreation grounds for the use and behoof of the subscribers and to apply the subscriptions received to the management, upkeep, and improvement of the ground. Answering the question of law, the Court held that the surplus realised by the Trustees was a profit assessable to income tax under Case I of Schedule D of the Act of 1918.

An Income Tax Problem—Rates Allowance.

The First Division of the Court of Session recently decided a case in which the Inland Revenue submitted to review a decision of the Special Commissioners given at Glasgow in March last in an appeal by the Scottish Central Electric Power Company, Melville Street, Edinburgh. The company appealed against two assessments totalling £44,673, less £16,390 for wear and tear, made upon it under Schedule D for the year ended April 5th, 1929. The point in dispute was as regards the allowance for owners' rates amounting to £1,752 which had been deducted from their assessment under Schedule A. The company maintained, however, that they were entitled to a deduction of a similar amount in their Schedule D assessment.

The Special Commissioners, following a decision in the previous year by the Court of Session in a similar case, allowed the present appeal, and reduced the assessment under Schedule D by £1,752.

The Division, by a majority, refused the appeal, and affirmed the decision of the Special Commissioners, Lord Morison dissenting.

The Lord President said the decision in last year's case was that the whole annual value of the company's premises formed a permissible deduction from its gross trading returns for the purposes of income tax under Schedule D. The question in this year's case had, strictly speaking, nothing to do with the permissibility of any of the deductions made from gross returns. The assessment allowed, as before, deduction of all public rates paid by the company as occupying owner of the premises, and of the cost of repairs and maintenanee, and so on. It also allowed deduction of the whole annual value of the premises, without subtracting anything in respect of the abatement given to the company this year (as last year) for the purposes of its Schedule A tax. But it added, or wrote back, into the company's profits the amount of that abatement. There was, strictly speaking, no justification for this mode of dealing with the accounts. There underlay the argument of the Revenue an assumption that it was not enough faithfully to apply the rules of each Schedule to its subject matter, but that these rules should be regarded as subject to variation or modification whenever necessary to prevent the taxpayer from enjoying an advantage under each of the schedules in respect of the same class of expenditure. He commented unfavourably on this assumption last year, and nothing had made him change his mind. In England millers and manufacturers always enjoyed, for the purposes of Schedule D, the benefit of the reduction of the whole public rates paid by them. No doubt the whole of those rates were charged on them *qua* occupiers. But what difference did it make that, in Scotland, they paid half *qua* owners and half *qua* occupiers? They had to pay the whole, and the payment of that whole was just as much a necessary part of the expense of

carrying on their business in Scotland as it was in England. Why should the Scottish miller not be allowed to deduct it, like his English brother? His Lordship was therefore for answering the question put to the effect that the company was entitled to deduct the sum of £1,752 in arriving at the balance of the profits and gains of its trade.

Lords Sands and Blackburn reached the same conclusion. Lord Morison was for sustaining the appeal. His view was that it was absurd to say that any taxpayer who deducted from his profits the amount of his rates twice over was being charged Income Tax on the full amount of his profits. In his Lordship's opinion, the principle of the tax was of universal application, viz, that it was the full amount of the statutory income which was chargeable to duty, and that, in every case, a double deduction of the same item of expense was necessarily prohibited, even in the case where the assessable income was charged under the two Schedules A and D. He thought it was plain that the rules must be construed so as to give effect to the principle of the tax, viz, that it was a tax upon the full amount of the business profits, and not a tax upon a balance of profits brought out after a double deduction of an item of expenditure.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, *e.g.* (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times* Newspaper; L.J., *Law Journal*; L.J.N., *Law Journal* Newspaper; L.T., *Law Times*; L.T.N., *Law Times* Newspaper; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases* (*Scotland*); S.L.T., *Scottish Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace* (*England*); L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

COMPANY LAW.

Re Grayson, Rolls & Clover Docks, Limited.

Intervention of Act of 1929 between dates of meeting for Passing a Special Resolution.

A limited company asked for an order confirming resolutions for a reduction of capital. These had been passed at general meetings held on October 30th and November 14th. By sect. 69 (2) of the Act of 1908, 21 days' notice of the second meeting was required and this had been duly given. By sect. 117 (2) of the Companies Act, 1929, 21 days' notice must be given of the intention to propose a special resolution, but a shorter notice may be given if all the members entitled to attend and vote so agree. By sect. 381 (2) (*a*) of the Act of 1929, any resolution shall, if in force at the commencement of that Act, continue in force, and so far as it could have been passed under that Act shall have effect as if passed under that Act.

Maugham (J.) held that the resolutions were effective both under the Acts of 1908 and 1929.

(Ch.; (1930) L.T.N., 144.)

Gowers and Others v. Walker and Others.

Preferential Payment on Income Tax.

By the combined effect of sects. 107 and 209 (1) of the Companies (Consolidation) Act, 1908, where a receiver of a limited company has been appointed, the payments to be made by him in priority to all other debts include "income tax assessed on the company up to the 5th day of April next before" the date of his appointment "and not exceeding in the whole one year's assessment."

It was held by Eve (J.) that "up to" does not mean that the assessment must take place before the 5th of April next before the appointment of the receiver, but that the tax payable preferentially is the tax payable in respect of the period ending on the 5th of April next before his appointment, such preferential payment being, however, limited to one year's tax.

(Ch.; (1930) 46 T.L.R., 150.)

DIRECTORS.

Attorney-General v. Walkergate Press, Limited.

Joint Liability of Directors for Gaming Offences.

In 1929 advertisements appeared in certain sporting newspapers relating to money-making football coupons, samples of which could be obtained from the defendant company. B. and C. were directors of the company. The jury found that the nature of the scheme published by the defendants was a proposal or scheme for a lottery. By sect. 41 of the Lotteries Act, 1823, any person publishing any proposal or scheme for a lottery is liable to a penalty of £50 for each offence.

It was held that the word "person" in a case where criminal proceedings had been taken could not be said to include a corporate body, and was not therefore available against a limited company. As regards B. and C., they had issued the proposals equally with the company and were liable to statutory penalties amounting to £600.

(K.B.; (1930) S.J.N., 106.)

RATING.

Lowery v. Hull Corporation.

Allowance to Owners and Distress.

The Divisional Court held that the fact that an owner rated instead of the occupier is entitled to an allowance if his half-year's rate is paid by compulsion or otherwise before a fixed date, does not prevent a distress warrant being issued to enforce payment of a year's rate.

(K.B.; (1930) L.J.N., 29.)

REVENUE.

Luipaard's Vlei Estate and Gold Mining Company v. Inland Revenue.

Debenture Interest Paid out of Accumulated Undivided Profits.

The Court of Appeal affirmed the decision of Rowlatt (J.) (see *Incorporated Accountants' Journal*, January, 1930, p. 182) and held that where a limited company pays debenture interest, not out of the profits of the year in respect of which it is paid, but out of accumulated undivided profits which have been charged with tax in previous years, the company is bound to deduct from the interest the amount of the tax and to account for it to the Crown.

(C.A.; (1930) 46 L.T.R., 204.)

United Collieries, Limited, v. Inland Revenue.

Corporation Profits Tax.

The Court of Session held that the cost of unwatering a coal pit was not an admissible deduction from profits for the purpose of the corporation profits tax. The Court considered this a hard case, but thought that it was clear that the expenditure incurred in pumping water from the lower strata of the pit which was sought to be deducted from the profits of the year must be treated as capital expenditure and not as revenue expenditure.

(C.S.; (1930) S.L.T., 105.)